

**Condensed Financial Statements**  
**Hong Leong Bank Berhad**  
**Unaudited Balance Sheet As At 30 September 2006**

	The Group		The Bank		
	Financial Period Ended 30/09/2006	Financial Year Ended 30/06/2006	Financial Period Ended 30/09/2006	Financial Year Ended 30/06/2006	
ASSETS	Note	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds		7,796,322	13,565,015	6,630,860	12,294,079
Deposits and placements with financial institutions		9,998,787	1,484,812	10,359,787	1,844,812
Securities purchased under resale agreements		3,307,936	4,496,814	3,307,936	4,496,814
Securities held at fair value through profit and loss	8	3,648,496	3,881,514	3,483,133	3,752,487
Securities available-for-sale	9	4,697,069	5,824,132	4,517,517	5,645,608
Securities held-to-maturity	10	1,331,362	1,029,789	896,181	440,452
Loans, advances and financing	11	28,979,457	28,618,868	25,099,575	24,671,107
Other assets	12	227,086	388,481	339,166	363,844
Statutory deposits with Bank Negara Malaysia		893,124	881,524	715,650	718,100
Investment in subsidiary companies		-	-	522,041	522,041
Property, plant and equipment		265,640	252,000	249,287	235,513
Deferred tax assets		161,108	173,301	142,641	154,238
<b>Total Assets</b>		<b>61,306,387</b>	<b>60,596,250</b>	<b>56,263,774</b>	<b>55,139,095</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>					
Deposits from customers	13	45,032,291	44,276,122	40,308,221	39,058,948
Deposits and placements of banks and other financial institutions	14	3,232,569	2,796,260	2,967,037	2,661,259
Obligations on securities sold under repurchase agreements		6,081,460	6,872,399	6,081,460	6,872,399
Bills and acceptance payable		654,228	546,209	652,293	541,557
Other liabilities	15	1,034,416	934,706	1,090,291	935,051
Subordinated Bonds		722,617	704,049	722,617	704,049
Provision for taxation		89,258	85,596	43,263	30,504
<b>Total Liabilities</b>		<b>56,846,839</b>	<b>56,215,341</b>	<b>51,865,182</b>	<b>50,803,767</b>
Share Capital		1,580,107	1,580,107	1,580,107	1,580,107
Reserves		3,482,663	3,291,827	3,421,707	3,246,246
Less: Treasury Shares		(603,222)	(491,025)	(603,222)	(491,025)
<b>Total Shareholders' Funds</b>		<b>4,459,548</b>	<b>4,380,909</b>	<b>4,398,592</b>	<b>4,335,328</b>
<b>Total Liabilities and Shareholders' Funds</b>		<b>61,306,387</b>	<b>60,596,250</b>	<b>56,263,774</b>	<b>55,139,095</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	25	<b>61,240,626</b>	<b>48,083,936</b>	<b>60,752,386</b>	<b>47,656,567</b>
<b>CAPITAL ADEQUACY</b>					
<b>Before deducting proposed dividends</b>					
Core capital ratio	21	13.50%	13.76%	15.22%	15.78%
Risk-weighted capital ratio	21	16.83%	17.52%	16.87%	17.96%
<b>After deducting proposed dividends</b>					
Core capital ratio	21	12.98%	13.24%	14.63%	15.18%
Risk-weighted capital ratio	21	16.31%	17.00%	16.29%	17.37%
Net asset per share attributable to ordinary equity holders of the parent (RM) *		3.04	2.95	3.00	2.92

\* The Net assets per share attributable to ordinary equity holders of the parent (RM) is computed as Total Shareholders' Funds (excluding Minority Interest) divided by total number of ordinary shares in circulation

Hong Leong Bank Berhad

Condensed Financial Statements  
Unaudited Income Statement  
For The Financial Quarter Ended 30 September 2006

The Group

	Note	Current Quarter Ended 30/09/2006 RM'000	Corresponding Quarter Ended 30/09/2005 RM'000	Current Period Ended 30/09/2006 RM'000	Corresponding Period Ended 30/09/2005 RM'000
Interest income	16	666,818	565,489	666,818	565,489
Interest expense	17	(369,518)	(328,209)	(369,518)	(328,209)
Net interest income		297,300	237,280	297,300	237,280
Net income from Islamic Banking business		36,170	39,779	36,170	39,779
Other operating income	18	88,281	102,609	88,281	102,609
Net Income		421,751	379,668	421,751	379,668
Other operating expenses	19	(170,111)	(149,134)	(170,111)	(149,134)
Operating profit before provision Allowance for losses on loans, advances and financing	20	251,640	230,534	251,640	230,534
Impairment loss - securities		-	(3,039)	-	(3,039)
Profit before taxation (and zakat)		198,400	197,487	198,400	197,487
Taxation		(54,024)	(55,341)	(54,024)	(55,341)
Zakat		(9)	(15)	(9)	(15)
Profit after taxation		144,367	142,131	144,367	142,131
Profit attributable to shareholders		144,367	142,131	144,367	142,131
Earnings per share - basic (sen)		10.0	9.3	10.0	9.3
Earnings per share - fully diluted (sen)		10.0	9.3	10.0	9.3

## Hong Leong Bank Berhad

### Condensed Financial Statements Unaudited Income Statement For The Financial Quarter Ended 30 September 2006

#### The Bank

	Note	Current Quarter Ended 30/09/2006 RM'000	Corresponding Quarter Ended 30/09/2005 RM'000	Current Period Ended 30/09/2006 RM'000	Corresponding Period Ended 30/09/2005 RM'000
Interest income	16	671,437	570,029	671,437	570,029
Interest expense	17	(374,275)	(332,944)	(374,275)	(332,944)
Net interest income		297,162	237,085	297,162	237,085
Net income from Islamic Banking business		-	-	-	-
Other operating income	18	88,280	102,174	88,280	102,174
Net Income		385,442	339,259	385,442	339,259
Other operating expenses	19	(151,354)	(128,888)	(151,354)	(128,888)
Operating profit before provision		234,088	210,371	234,088	210,371
Allowances for losses on loans and financing	20	(55,356)	(28,133)	(55,356)	(28,133)
Impairment loss - securities		-	(3,039)	-	(3,039)
Profit before taxation (and zakat)		178,732	179,199	178,732	179,199
Taxation		(48,936)	(50,481)	(48,936)	(50,481)
Zakat		-	0	-	-
Profit after taxation		129,796	128,718	129,796	128,718
Profit attributable to shareholders		129,796	128,718	129,796	128,718
Earnings per share - basic (sen)		9.0	8.4	9.0	8.4
Earnings per share - fully diluted (sen)		9.0	8.4	9.0	8.4

**Condensed Financial Statements**  
**Hong Leong Bank Berhad**  
**Unaudited Statement of Changes in Equity For The Financial Period Ended 30 September 2006**

The Group	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
As at 1 July 2006	1,580,107	539,664	1,626,403	(79,608)	35,363	1,170,005	(491,025)	4,380,909
As previously stated	1,580,107	539,664	1,626,403	(79,608)	35,363	1,170,005	(491,025)	4,380,909
As at 1 July 2006, as restated	1,580,107	539,664	1,626,403	(79,608)	35,363	1,170,005	(491,025)	4,380,909
<i>Currency translation differences</i>	-	-	-	-	3,749	-	-	3,749
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	3,749	-	-	3,749
Net profit for the period	-	-	-	-	-	144,367	-	144,367
Transfer to statutory reserve	-	-	41,257	-	-	(41,257)	-	-
Dividend paid	-	-	-	-	-	-	-	-
less: Treasury shares	-	-	-	-	-	-	(112,197)	(112,197)
Net fair value changes in available for sale securities	-	-	-	42,720	-	-	-	42,720
<b>Closing Balance @ 30 September 2006</b>	<b>1,580,107</b>	<b>539,664</b>	<b>1,667,660</b>	<b>(36,888)</b>	<b>39,112</b>	<b>1,273,115</b>	<b>(603,222)</b>	<b>4,459,548</b>
As at 1 July 2005	1,580,107	539,664	1,479,216	5,279	36,153	1,040,133	(274,375)	4,400,898
As previously stated	1,580,107	539,664	1,479,216	5,279	36,153	1,040,133	(274,375)	4,400,898
Prior Year Adjustment	-	-	-	5,279	-	(4,181)	-	1,098
As at 1 July 2005, as restated	1,580,107	539,664	1,479,216	5,279	36,153	1,035,952	(274,375)	4,401,996
<i>Currency translation differences</i>	-	-	-	-	(1,904)	-	-	(790)
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	(1,904)	-	-	(1,904)
Net profit for the period	-	-	-	-	-	142,131	-	142,131
Transfer to statutory reserve	-	-	38,318	-	-	(38,318)	-	-
Dividend paid	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	(3,179)	(3,179)
Net fair value changes in available for sale securities	-	-	-	38	-	-	-	38
<b>Closing Balance @ 30 September 2005</b>	<b>1,580,107</b>	<b>539,664</b>	<b>1,517,534</b>	<b>5,317</b>	<b>34,249</b>	<b>1,139,765</b>	<b>(277,554)</b>	<b>4,539,082</b>

**Condensed Financial Statements**  
**Hong Leong Bank Berhad**  
**Unaudited Statement of Changes in Equity For The Financial Period Ended 30 September 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	
<b>The Bank</b>								
As at 1 July 2006	1,580,107	539,664	1,604,855	(77,795)	35,363	1,144,159	(491,025)	4,335,328
As previously stated Prior Year Adjustment	-	-	-	-	-	-	-	-
<b>As at 1 July 2006, as restated</b>	1,580,107	539,664	1,604,855	(77,795)	35,363	1,144,159	(491,025)	4,335,328
<i>Currency translation differences</i>	-	-	-	-	3,749	-	-	3,749
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	3,749	-	-	3,749
Net profit for the period	-	-	-	-	-	129,796	-	129,796
Transfer to statutory reserve	-	-	34,367	-	-	(34,367)	-	-
Dividend paid	-	-	-	-	-	-	-	-
less: Purchase of Treasury Shares	-	-	-	-	-	-	(112,197)	(112,197)
Net fair value changes in available for sale securities	-	-	-	41,916	-	-	-	41,916
<b>Closing Balance @ 30 September 2006</b>	1,580,107	539,664	1,639,222	(35,879)	39,112	1,239,588	(603,222)	4,398,592
<b>As at 1 July 2005</b>	1,580,107	539,664	1,479,216	-	36,153	1,040,103	(274,375)	4,400,868
As previously stated Prior Year Adjustment	-	-	-	5,279	-	(4,180)	-	1,099
<b>As at 1 July 2005, as restated</b>	1,580,107	539,664	1,479,216	5,279	36,153	1,035,923	(274,375)	4,401,967
<i>Currency translation differences</i>	-	-	-	-	(1,904)	-	-	(1,904)
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	(1,904)	-	-	(1,904)
Net profit for the period	-	-	-	-	-	128,718	-	128,718
Transfer to statutory reserve	-	-	32,180	-	-	(32,180)	-	-
Dividend paid	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	(3,179)	(3,179)
Net fair value changes in available for sale securities	-	-	-	(740)	-	-	-	(740)
<b>Closing Balance @ 30 September 2005</b>	1,580,107	539,664	1,511,396	4,539	34,249	1,132,461	(277,554)	4,524,862

**Hong Leong Bank Berhad**  
**Condensed Financial Statements**  
**Unaudited Condensed Cash Flow Statement**  
**For The Financial Period Ended 30 September 2006**

	The Group		The Bank	
	Financial Year Ended 30/09/2006 RM'000	Financial Year Ended 30/09/2005 RM'000	Financial Period Ended 30/09/2006 RM'000	Financial Period Ended 30/09/2005 RM'000
<b>Operating activities</b>				
Profit before taxation	198,400	197,487	178,732	179,199
Adjustments for non-cash items	115,472	215	100,056	5,337
Operating profit before working capital changes	313,872	197,702	278,788	184,536
Income taxes and zakat paid	(55,217)	(66,509)	(41,295)	(66,228)
Net changes in working capital	(2,443,813)	(2,037,216)	(6,694,996)	(2,732,851)
Net cash flow from operating activities	(2,185,158)	(1,906,023)	(6,457,503)	(2,614,543)
Net cash flow from investing activities	(3,471,543)	38,126	906,276	197,772
Net cash flow from financing activities	(112,197)	(3,179)	(112,197)	(3,179)
Changes in cash and cash equivalents	(5,768,898)	(1,871,076)	(5,663,424)	(2,419,950)
Currency translation differences	205	(12,060)	205	(12,060)
Cash and cash equivalents at the beginning of year	13,565,015	11,124,578	12,294,079	11,125,551
Cash and cash equivalents at the end of period	7,796,322	9,241,442	6,630,860	8,693,541

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

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia and should be read in conjunction with the Group's audited annual financial statements for the year ended 30 June 2006..

The accounting policies and methods of computation applied in the audited condensed interim financial statements are consistent with those adopted in the previous audited annual financial statements except for the changes in accounting policies and presentation which are expected to be reflected in the financial statements for the financial year ending 30 June 2007 resulting from the adoption of applicable FRSs adopted by Malaysian Accounting Standards Board that are effective for the financial period beginning 1 July 2006 as follows:-

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effect of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of FRS 5, 108, 110, 116, 121, 127, 132 and 133 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new and revised FRSs are disclosed in Note 30.

### 2 Status of matters giving rise to the auditor's qualified report in the preceding annual financial statements for the year ended 30 June 2006.

There was no qualified report issued by the auditors in the preceding annual financial statements for the year ended 30 June 2006.

### 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 30 September 2006 other than as mentioned below:-

#### a) Share Buy-back

During the financial period ended 30 September 2006, the Bank purchased a total of 11,632,700 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 30 September 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
Jul-06	-	-	-	-	-
Aug-06	6,086,600	5.25	5.30	5.30	32,322,328.78
Sep-06	5,546,100	5.30	5.40	5.39	29,963,772.73
<b>For the Period</b>	<b>11,632,700</b>	<b>5.25</b>	<b>5.40</b>	<b>5.34</b>	<b>62,286,101.51</b>

The total number of shares bought back, all of which were held as treasury shares as at 30 September 2006 amounted to 75,175,200 shares, at an average price per share of RM5.28. None of the treasury shares were resold or canceled to date.



**Issuance and repayment of debt and equity securities (Continued)****(b) Purchase of shares pursuant to ESOS**

A trust has been set up for the ESOS of the Bank 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 to FRS 132: Financial Statements: Presentation and Disclosure, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares", in addition to the Treasury Shares for share buy-back, in the Shareholders' Funds on the Balance Sheet.

During the financial period, the trust bought 9,354,600 shares at an average price of RM5.14 per share. Total consideration paid, including transaction costs was RM48,099,482. As at 30 September 2006, the total number of Treasury Shares for ESOS was 39,834,600 at an average carrying value of RM5.13 per share. There were no ESOS granted during the financial year.

**c) 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 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**

There were no dividends paid during the financial period under review.

8 **Securities held at fair value through profit or loss**

	<u>The Group</u>		<u>The Bank</u>	
	<b>Financial Period Ended 30/09/2006 RM'000</b>	<b>Financial Year Ended 30/06/2006 RM'000</b>	<b>Financial Period Ended 30/09/2006 RM'000</b>	<b>Financial Year Ended 30/06/2006 RM'000</b>
<b>At Fair Value</b>				
<b>Held- for-trading</b>				
Malaysian Government Treasury Bills	14,790	24,652	14,790	16,702
Malaysian Government Securities	118,245	246,604	118,245	246,604
Other Government Securities	-	-	-	-
Bank Negara Malaysia (BNM) Bills	301,800	69,158	222,455	49,263
Cagamas bonds	378,562	742,369	368,578	742,369
Bankers' acceptance and Islamic Accepted bills	569,642	15,312	508,268	15,312
Negotiable instruments of deposit	2,143,801	2,592,938	2,129,141	2,491,756
Foreign currency bonds	18,176	53,098	18,176	53,098
	<u>3,545,016</u>	<u>3,744,131</u>	<u>3,379,653</u>	<u>3,615,104</u>
Quoted securities :				
Shares in Malaysia	41,109	38,802	41,109	38,802
Unquoted securities :				
Private debt securities	51,868	82,826	51,868	82,826
<b>Designated at fair value</b>				
Loan stocks quoted in Malaysia	10,503	15,755	10,503	15,755
	<u>3,648,496</u>	<u>3,881,514</u>	<u>3,483,133</u>	<u>3,752,487</u>

9 Securities available-for-sale

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000
<b>At Fair Value</b>				
Malaysian Government Investment Certificates	25,068	24,615	-	-
HK Government Exchange Fund	14,149	23,562	14,149	23,562
Government Treasury Bills	265,215	224,115	265,215	224,115
Malaysian Government Securities	1,860,954	2,764,685	1,860,954	2,764,685
Cagamas bonds	1,247,091	1,422,395	1,148,295	1,324,036
Foreign currency bonds	951,791	1,003,278	951,791	1,003,278
	4,364,268	5,462,650	4,240,404	5,339,676
Quoted Securities:				
Shares and convertible loan Stocks	89,200	99,367	89,199	99,367
Shares outside Malaysia	-	-	-	-
Unquoted securities :				
Private debt securities	243,601	262,115	187,914	206,565
<b>Total securities available-for-sale</b>	<b>4,697,069</b>	<b>5,824,132</b>	<b>4,517,517</b>	<b>5,645,608</b>

## 10 Securities held-to-maturity

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000
<b>At Amortised Cost</b>				
Money market instruments :				
Malaysian Government Securities	227,530	239,789	227,530	239,789
Malaysian Government Investment certificates	167,152	155,866	32,989	32,658
Cagamas bonds	275,250	440,359	-	-
Foreign currency bonds	11,074	11,039	11,074	11,039
Negotiable instruments of deposit	500,000	-	500,000	-
Khazanah bonds	4,919	4,875	-	-
	<u>1,185,925</u>	<u>851,928</u>	<u>771,593</u>	<u>283,486</u>
Unquoted securities :				
Shares	27,161	27,160	26,585	26,585
Private debt securities	98,198	128,199	77,925	107,879
Loan stocks	20,078	22,502	20,078	22,502
	<u>145,437</u>	<u>177,861</u>	<u>124,588</u>	<u>156,966</u>
<b>Total securities held-to-maturity</b>	<u><u>1,331,362</u></u>	<u><u>1,029,789</u></u>	<u><u>896,181</u></u>	<u><u>440,452</u></u>

## 11 Loans, Advances and Financing

	<u>The Group</u>		<u>The Bank</u>	
	<b>Financial Period Ended 30/09/2006 RM'000</b>	<b>Financial Year Ended 30/06/2006 RM'000</b>	<b>Financial Period Ended 30/09/2006 RM'000</b>	<b>Financial Year Ended 30/06/2006 RM'000</b>
Overdrafts	2,761,165	2,959,945	2,754,241	2,952,054
Term loans :				
- Housing loans/financing	14,593,648	13,687,545	13,337,114	12,646,072
- Syndicated term loan/financing	1,679,702	1,270,824	1,293,313	1,270,574
- Hire purchase receivables	5,974,036	6,166,419	2,721,419	2,823,033
- Lease receivables	21,373	19,450	-	-
- Other term loans/financing	1,351,986	1,601,129	1,195,570	1,049,224
Credit/charge card receivables	1,365,601	1,204,604	1,365,601	1,204,604
Bills receivables	295,436	479,948	295,436	479,948
Trust receipts	150,474	153,710	150,474	153,710
Claims on customers under acceptance credits	2,308,256	2,478,691	2,285,713	2,372,172
Block discounting	28,016	19,540	25,129	16,640
Revolving credits	683,659	635,503	683,659	635,503
Staff loans :				
Directors	-	-	-	-
Staffs other than Directors	115,346	117,073	115,233	116,950
Other loans/financing	62,560	61,966	61,224	60,575
	<u>31,391,258</u>	<u>30,856,347</u>	<u>26,284,126</u>	<u>25,781,059</u>
Unearned interest and income	<u>(1,446,789)</u>	<u>(1,327,429)</u>	<u>(307,740)</u>	<u>(289,477)</u>
Gross loans, advances and financing	29,944,469	29,528,918	25,976,386	25,491,582
Allowance for bad and doubtful debts and financing :				
- general	(441,758)	(436,233)	(382,548)	(376,043)
- specific	<u>(523,254)</u>	<u>(473,817)</u>	<u>(494,263)</u>	<u>(444,432)</u>
Net loans, advances and financing	<u>28,979,457</u>	<u>28,618,868</u>	<u>25,099,575</u>	<u>24,671,107</u>

**11 Loans, Advances and Financing (continued)**

**11a By type of customer**

	<u>The Group</u>		<u>The Bank</u>	
	<b>Financial Period Ended 30/09/2006 RM'000</b>	<b>Financial Year Ended 30/06/2006 RM'000</b>	<b>Financial Period Ended 30/09/2006 RM'000</b>	<b>Financial Year Ended 30/06/2006 RM'000</b>
Domestic banking institutions	130	148	130	148
Domestic non-bank financial institutions	165,666	123,561	119,932	78,340
Domestic business enterprises				
- Small and medium enterprises	3,414,234	3,746,882	3,122,039	3,437,602
- Others	5,810,907	5,776,117	5,214,311	5,100,581
Government and statutory bodies	115,521	114,638	115,521	114,638
Individuals	19,566,212	18,809,221	16,555,688	15,823,765
Other domestic entities	27,818	29,113	25,951	28,060
Foreign entities	843,981	929,238	822,814	908,448
Gross loans, advances and financing	<u>29,944,469</u>	<u>29,528,918</u>	<u>25,976,386</u>	<u>25,491,582</u>

**11 Loans, Advances and Financing (continued)**

**11b By interest/profit rate sensitivity**

	<u>The Group</u>		<u>The Bank</u>	
	<b>Financial Period Ended 30/09/2006 RM'000</b>	<b>Financial Year Ended 30/06/2006 RM'000</b>	<b>Financial Period Ended 30/09/2006 RM'000</b>	<b>Financial Year Ended 30/06/2006 RM'000</b>
Fixed rate				
- Housing loans/financing	3,759,326	3,665,259	3,169,575	3,157,071
- Hire purchase receivables	5,165,918	5,476,042	2,317,482	2,541,057
- Other fixed rate loan/financing	1,873,826	1,871,034	1,497,089	1,489,868
Variable rate				
- Base lending rate plus	15,883,367	15,195,330	15,735,194	15,092,088
- Cost plus	3,165,877	3,223,618	3,162,640	3,117,091
- Other variables rates	96,156	97,635	94,406	94,407
Gross loans, advances and financing	<u>29,944,469</u>	<u>29,528,918</u>	<u>25,976,386</u>	<u>25,491,582</u>

## 11 Loans, Advances and Financing (continued)

### 11c By economic sector

	<u>The Group</u>		<u>The Bank</u>	
	<b>Financial Period Ended 30/09/2006 RM'000</b>	<b>Financial Year Ended 30/06/2006 RM'000</b>	<b>Financial Period Ended 30/09/2006 RM'000</b>	<b>Financial Year Ended 30/06/2006 RM'000</b>
Agriculture	290,953	310,643	209,912	229,981
Mining and quarrying	30,504	37,146	27,076	33,565
Manufacturing	2,312,968	2,531,467	2,151,141	2,359,264
Electricity, gas and water	20,651	22,640	13,288	14,289
Construction	566,834	643,895	496,213	565,368
Real Estate	396,129	387,432	357,992	347,096
Purchase of landed properties (of which : - residential	10,974,156	10,448,532	10,415,490	9,965,150
- non-residential)	3,545,810	3,354,428	3,427,295	3,252,766
General commerce	2,087,920	2,108,620	1,902,866	1,935,744
Transport, storage and communication	310,596	307,911	240,227	234,414
Finance, insurance and business services	589,525	669,818	512,005	483,486
Purchase of securities	606,708	703,516	601,508	699,941
Purchase of transport vehicles	4,579,804	4,703,448	2,065,463	2,136,029
Consumption credit	2,946,851	2,548,124	2,913,784	2,530,734
Others	685,060	751,298	642,126	703,755
<b>Gross loans, advances and financing</b>	<b>29,944,469</b>	<b>29,528,918</b>	<b>25,976,386</b>	<b>25,491,582</b>



## 11 Loans, Advances and Financing (continued)

### 11d Non-performing loans by sector

	<u>The Group</u>		<u>The Bank</u>	
	<b>Financial Period Ended 30/09/2006 RM'000</b>	<b>Financial Year Ended 30/06/2006 RM'000</b>	<b>Financial Period Ended 30/09/2006 RM'000</b>	<b>Financial Year Ended 30/06/2006 RM'000</b>
Agriculture	4,564	4,405	4,445	4,319
Mining and quarrying	2,942	4,294	2,942	4,294
Manufacturing	183,863	178,329	180,285	175,393
Electricity, gas and water	239	280	155	162
Construction	91,235	107,267	90,012	106,729
Real estate	99,342	93,646	98,651	92,961
Purchase of landed properties (of which :- residential	330,548	337,276	306,491	312,551
- non-residential)	146,821	160,412	134,305	147,368
General commerce	96,922	96,046	95,363	94,206
Transport, storage and communication	26,273	26,788	26,000	26,507
Finance, insurance and business services	120,911	123,336	119,905	122,374
Purchase of securities	27,136	33,461	25,040	31,119
Purchase of transport vehicles	116,090	107,102	80,156	77,355
Consumption credit	73,127	71,278	72,603	70,717
Others	21,307	38,063	21,153	37,909
	<u>1,341,320</u>	<u>1,381,983</u>	<u>1,257,506</u>	<u>1,303,964</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>	
	<b>Financial Period Ended 30/09/2006 RM'000</b>	<b>Financial Year Ended 30/06/2006 RM'000</b>	<b>Financial Period Ended 30/09/2006 RM'000</b>	<b>Financial Year Ended 30/06/2006 RM'000</b>
At beginning	1,381,983	1,657,683	1,303,964	1,651,770
Non-performing during the period/year	780,971	3,251,908	717,922	3,011,306
Reclassified as performing	(665,717)	(2,757,428)	(616,388)	(2,561,509)
Amount written back in respect of recoveries	(138,944)	(481,955)	(131,019)	(447,873)
Amount written off	(17,196)	(289,746)	(17,196)	(280,814)
Amount vested to HLIB*	-	-	-	(70,437)
Exchange differences	223	1,521	223	1,521
Closing balance	1,341,320	1,381,983	1,257,506	1,303,964
Specific allowance	(523,254)	(473,817)	(494,263)	(444,432)
Net non-performing loans, advances and financing	<u>818,066</u>	<u>908,166</u>	<u>763,243</u>	<u>859,532</u>
Net NPL as a % of gross loans, advances and financing less specific allowance	<u>2.8%</u>	<u>3.1%</u>	<u>3.0%</u>	<u>3.4%</u>

\* Note : HLIB - Hong Leong Islamic Bank 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>	
	<b>Financial Period Ended 30/09/2006 RM'000</b>	<b>Financial Year Ended 30/06/2006 RM'000</b>	<b>Financial Period Ended 30/09/2006 RM'000</b>	<b>Financial Year Ended 30/06/2006 RM'000</b>
<u>General Allowance</u>				
At beginning	436,233	412,877	376,043	412,817
Net provisions made during the year	5,469	23,057	6,449	17,936
Amount vested to HLIB*	-	-	-	(55,009)
Exchange differences	56	299	56	299
Closing balance	<u>441,758</u>	<u>436,233</u>	<u>382,548</u>	<u>376,043</u>
As % of gross loans, advances and financing less specific allowance	<u>1.5%</u>	<u>1.5%</u>	<u>1.5%</u>	<u>1.5%</u>
<u>Specific Allowance</u>				
At beginning	473,817	465,254	444,432	459,679
Allowance made during the period/year	90,371	386,511	83,073	359,349
Amount written back in respect of recoveries	(23,886)	(89,250)	(16,194)	(81,767)
Amount written off	(17,196)	(289,746)	(17,196)	(280,814)
Amount transferred to provision for diminution in value	-	-	-	-
Amount vested to HLIB*	-	-	-	(13,063)
Exchange differences	148	1,048	148	1,048
Closing balance	<u>523,254</u>	<u>473,817</u>	<u>494,263</u>	<u>444,432</u>

\* Note : HLIB - Hong Leong Islamic Bank Berhad

## 12 Other Assets

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000
Interest/Income receivable	151,980	179,322	144,819	167,026
Other debtors, deposits and prepayments	72,097	206,150	191,338	193,809
Foreclosed properties	3,009	3,009	3,009	3,009
	<u>227,086</u>	<u>388,481</u>	<u>339,166</u>	<u>363,844</u>

## 13 Deposits from Customers

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000
<u>By type of customer</u>				
Government and statutory bodies	410,026	650,612	171,905	215,657
Business enterprises	14,389,336	14,670,010	12,111,352	11,582,262
Individuals	28,004,852	27,055,017	27,011,473	26,129,670
Others	2,228,077	1,900,483	1,013,491	1,131,359
	<u>45,032,291</u>	<u>44,276,122</u>	<u>40,308,221</u>	<u>39,058,948</u>

## 14 Deposits and Placements of Banks and Other Financial Institutions

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000
Licensed banks	2,982,569	2,494,760	2,717,038	2,359,759
Other financial institutions	250,000	301,500	249,999	301,500
	<u>3,232,569</u>	<u>2,796,260</u>	<u>2,967,037</u>	<u>2,661,259</u>

## 15 Other Liabilities

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000
Interest/Profit payable	291,393	311,173	258,269	278,153
Zakat	53	44	-	-
Post employment benefits obligation				
- defined contribution plan	3,447	3,443	3,447	3,443
Loan advance payment	225,940	190,450	222,346	187,943
Amount due to subsidiary companies	-	-	42,645	49,725
Others	513,583	429,596	563,584	415,787
	<u>1,034,416</u>	<u>934,706</u>	<u>1,090,291</u>	<u>935,051</u>

**16 Interest Income**

	1 <sup>st</sup> Quarter Ended		Cumulative Three Months Ended	
	30/09/2006	30/09/2005	30/09/2006	30/09/2005
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Loan, advances and financing				
- Interest income other than recoveries from NPLs	343,724	287,990	343,724	287,990
- Recoveries from NPLs	41,786	44,280	41,786	44,280
Money at call and deposit placements with financial institutions	129,973	95,597	129,973	95,597
Securities purchased under resale agreement	39,254	72,133	39,254	72,133
Securities held-for-trading	58,883	23,866	58,883	23,866
Securities available-for-sale	53,998	33,833	53,998	33,833
Securities held-to-maturity	7,364	7,966	7,364	7,966
Others	2,550	6,865	2,550	6,865
	<u>677,532</u>	<u>572,530</u>	<u>677,532</u>	<u>572,530</u>
Amortisation of premium less accretion of discount	(8,009)	(3,033)	(8,009)	(3,033)
Interest suspended	(2,705)	(4,008)	(2,705)	(4,008)
	<u>666,818</u>	<u>565,489</u>	<u>666,818</u>	<u>565,489</u>

16 Interest Income (continued)

	1 <sup>st</sup> Quarter Ended		Cumulative Three Months Ended	
	30/09/2006	30/09/2005	30/09/2006	30/09/2005
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Loan, advances and financing				
- Interest income other than recoveries from NPLs	343,675	287,413	343,675	287,413
- Recoveries from NPLs	41,780	44,266	41,780	44,266
Money at call and deposit placements with financial institutions	134,649	100,251	134,649	100,251
Securities purchased under resale agreements	39,254	72,133	39,254	72,133
Securities held-for-trading	58,883	23,866	58,883	23,866
Securities available-for-sale	53,998	33,833	53,998	33,833
Securities held-to-maturity	7,364	7,966	7,364	7,966
Others	2,551	6,865	2,551	6,865
	<u>682,154</u>	<u>576,593</u>	<u>682,154</u>	<u>576,593</u>
Amortisation of premium less accretion of discount	(8,010)	(3,033)	(8,010)	(3,033)
Interest suspended	<u>(2,707)</u>	<u>(3,531)</u>	<u>(2,707)</u>	<u>(3,531)</u>
	<u>671,437</u>	<u>570,029</u>	<u>671,437</u>	<u>570,029</u>

17 Interest Expense

	1 <sup>st</sup> Quarter Ended		Cumulative Three Months Ended	
	30/09/2006	30/09/2005	30/09/2006	30/09/2005
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Deposits and placements of banks and other financial institutions	87,818	76,284	87,818	76,284
Deposits from customers	272,136	245,116	272,136	245,116
Subordinated bonds	9,564	6,547	9,564	6,547
Others	-	262	-	262
	<u>369,518</u>	<u>328,209</u>	<u>369,518</u>	<u>328,209</u>

	1 <sup>st</sup> Quarter Ended		Cumulative Three Months Ended	
	30/09/2006	30/09/2005	30/09/2006	30/09/2005
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Deposits and placements of banks and other financial institutions	92,492	81,019	92,492	81,019
Deposits from customers	272,219	245,116	272,219	245,116
Subordinated bonds	9,564	6,547	9,564	6,547
Others	-	262	-	262
	<u>374,275</u>	<u>332,944</u>	<u>374,275</u>	<u>332,944</u>



18 Other Operating Income

<u>Group</u>	1 <sup>st</sup> Quarter Ended		Cumulative Three Months Ended	
	30/09/2006	30/09/2005	30/09/2006	30/09/2005
	RM'000	RM'000	RM'000	RM'000
(a) <u>Fee income :</u>				
Commissions	20,337	18,136	20,337	18,136
Service charges and fees	8,025	6,703	8,025	6,703
Guarantee fees	1,447	1,714	1,447	1,714
Other fee income	20,337	39,316	20,337	39,316
	<u>50,146</u>	<u>65,869</u>	<u>50,146</u>	<u>65,869</u>
(b) <u>Gain/loss arising from sale of securities :</u>				
Net gain from sale of securities held-for-trading	9,995	4,439	9,995	4,439
Net gain from sale of securities available-for-sale	23,983	7,047	23,983	7,047
Net gain from redemption of securities held-to-maturity	(10)	4,042	(10)	4,042
	<u>33,968</u>	<u>15,528</u>	<u>33,968</u>	<u>15,528</u>
(c) <u>Gross dividend income from:</u>				
Subsidiary companies	-	-	-	-
Securities held at fair value through profit or loss	494	134	494	134
Securities available-for-sale	656	85	656	85
Securities held to maturity	-	-	-	-
	<u>1,150</u>	<u>219</u>	<u>1,150</u>	<u>219</u>

18 Other Operating Income (continued)

	1 <sup>st</sup> Quarter Ended		Cumulative Three Months Ended	
	30/09/2006	30/09/2005	30/09/2006	30/09/2005
	RM'000	RM'000	RM'000	RM'000
(d) <u>Unrealised losses on revaluation of securities held-for-trading and derivatives</u>	(14,268)	(3,365)	(14,268)	(3,365)
(e) <u>Other income</u> :				
Foreign exchange gain	12,094	20,963	12,094	20,963
Rental income	108	56	108	56
Gain on disposal of property and equipment (net)	407	170	407	170
Others	4,676	3,169	4,676	3,169
	<u>17,285</u>	<u>24,358</u>	<u>17,285</u>	<u>24,358</u>
Total other operating income	<u>88,281</u>	<u>102,609</u>	<u>88,281</u>	<u>102,609</u>

18 Other Operating Income

	1 <sup>st</sup> Quarter Ended		Cumulative Three Months Ended	
	30/09/2006	30/09/2005	30/09/2006	30/09/2005
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
<b>(a) Fee income :</b>				
Commissions	20,336	18,136	20,336	18,136
Service charges and fees	8,025	6,703	8,025	6,703
Guarantee fees	1,447	1,714	1,447	1,714
Other fee income	20,337	39,316	20,337	39,316
	<u>50,145</u>	<u>65,869</u>	<u>50,145</u>	<u>65,869</u>
<b>(b) Gain/loss arising from sale of securities :</b>				
Net gain from sale of securities held-for-trading	9,995	4,439	9,995	4,439
Net gain from sale of securities available-for-sale	23,983	7,047	23,983	7,047
Net gain from redemption of securities held-to-maturity	(10)	4,042	(10)	4,042
	<u>33,968</u>	<u>15,528</u>	<u>33,968</u>	<u>15,528</u>
<b>(c) Gross dividend income from:</b>				
Subsidiary companies	-	-	-	-
Securities held-for-trading	494	134	494	134
Securities available-for-sale	656	85	656	85
Securities held-to-maturity	-	-	-	-
	<u>1,150</u>	<u>219</u>	<u>1,150</u>	<u>219</u>

18 Other Operating Income (continued)

	1 <sup>st</sup> Quarter Ended		Cumulative Three Months Ended	
	30/09/2006	30/09/2005	30/09/2006	30/09/2005
	RM'000	RM'000	RM'000	RM'000
(d) <u>Unrealised losses on revaluation of securities held-for-trading and derivatives</u>	<u>(14,268)</u>	<u>(3,365)</u>	<u>(14,268)</u>	<u>(3,365)</u>
(e) <u>Other income :</u>				
Foreign exchange gain	12,094	20,963	12,094	20,963
Rental income	108	57	108	57
Gain on disposal of property and equipment (net)	407	170	407	170
Others	<u>4,676</u>	<u>2,733</u>	<u>4,676</u>	<u>2,733</u>
	<u>17,285</u>	<u>23,923</u>	<u>17,285</u>	<u>23,923</u>
Total other operating income	<u>88,280</u>	<u>102,174</u>	<u>88,280</u>	<u>102,174</u>

## 19 Other Operating Expenses

	1 <sup>st</sup> Quarter Ended		Cumulative Three Months Ended	
	30/09/2006	30/09/2005	30/09/2006	30/09/2005
	RM'000	RM'000	RM'000	RM'000
<b><u>Group</u></b>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	77,663	68,291	77,663	68,291
- Others	5,879	4,469	5,879	4,469
<u>Establishment costs</u>				
- Depreciation	13,954	13,778	13,954	13,778
- Rental	9,128	8,296	9,128	8,296
- Information technology expenses	7,333	7,537	7,333	7,537
- Others	8,772	7,699	8,772	7,699
<u>Marketing expenses</u>				
- Advertisement and publicity	8,712	8,049	8,712	8,049
- Handling fees	3,297	5,518	3,297	5,518
- Others	9,691	5,143	9,691	5,143
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,139	2,090	2,139	2,090
- Stationery & printing	3,364	3,341	3,364	3,341
- Others	20,179	14,923	20,179	14,923
	<u>170,111</u>	<u>149,134</u>	<u>170,111</u>	<u>149,134</u>

19 Other Operating Expenses (continued)

	1 <sup>st</sup> Quarter Ended		Cumulative Three Months Ended	
	30/09/2006	30/09/2005	30/09/2006	30/09/2005
	RM'000	RM'000	RM'000	RM'000
<b><u>Bank</u></b>				
<b><u>Personnel costs</u></b>				
- Salaries, allowances and bonuses	69,120	59,717	69,120	59,717
- Others	5,164	3,851	5,164	3,851
<b><u>Establishment costs</u></b>				
- Depreciation	13,822	13,743	13,822	13,743
- Rental	8,336	7,410	8,336	7,410
- Information technology expenses	6,625	6,765	6,625	6,765
- Others	6,199	5,361	6,199	5,361
<b><u>Marketing expenses</u></b>				
- Advertisement and publicity	7,638	6,338	7,638	6,338
- Handling fees	1,208	2,390	1,208	2,390
- Others	9,417	4,947	9,417	4,947
<b><u>Administration and general expenses</u></b>				
- Teletransmission expenses	1,887	1,816	1,887	1,816
- Stationery & printing	3,138	3,063	3,138	3,063
- Others	18,800	13,484	18,800	13,484
	<u>151,354</u>	<u>128,888</u>	<u>151,354</u>	<u>128,888</u>

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

20 Allowance for Losses on Loans, Advances and Financing

	1 <sup>st</sup> Quarter Ended		Cumulative Three Months Ended	
	30/09/2006	30/09/2005	30/09/2006	30/09/2005
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Allowance for bad and doubtful debts and financing :				
- general allowance (net)	5,469	(16,394)	5,469	(16,394)
- specific allowance	90,372	85,802	90,372	85,802
- specific allowance written back	(23,886)	(21,558)	(23,886)	(21,558)
Bad debts and financing written off	1,806	2,197	1,806	2,197
Bad debts and financing recovered	(20,521)	(20,039)	(20,521)	(20,039)
	<u>53,240</u>	<u>30,008</u>	<u>53,240</u>	<u>30,008</u>

	1 <sup>st</sup> Quarter Ended		Cumulative Three Months Ended	
	30/09/2006	30/09/2005	30/09/2006	30/09/2005
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Allowance for bad and doubtful debts and financing :				
- general allowance (net)	6,449	(16,202)	6,449	(16,202)
- specific allowance	83,073	81,326	83,073	81,326
- specific allowance written back	(16,194)	(19,951)	(16,194)	(19,951)
Bad debts and financing written off	1,727	2,033	1,727	2,033
Bad debts and financing recovered	(19,699)	(19,073)	(19,699)	(19,073)
	<u>55,356</u>	<u>28,133</u>	<u>55,356</u>	<u>28,133</u>

## 21 Capital Adequacy

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000
<b><u>Components of Tier - 1 and Tier - 2 Capital</u></b>				
<b>Tier -1 capital</b>				
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	1,170,005	1,170,005	1,144,159	1,144,159
As previously stated	-	-	-	-
Prior year adjustments	-	-	-	-
Other Reserves	1,661,766	1,661,766	1,640,218	1,640,218
Less :Treasury Shares	(603,222)	(491,025)	(603,222)	(491,025)
Less : Deferred Tax	(173,301)	(173,301)	(154,238)	(154,238)
As previously stated	-	-	-	-
Prior year adjustments	-	-	-	-
<b>Total tier 1 capital</b>	<b>4,175,020</b>	<b>4,287,216</b>	<b>4,146,689</b>	<b>4,258,885</b>
<b>Tier - 2 capital</b>				
General provision	438,807	436,233	382,548	376,043
Subordinated bonds	590,000	734,900	590,000	734,900
<b>Total tier 2 capital</b>	<b>1,028,807</b>	<b>1,171,133</b>	<b>972,548</b>	<b>1,110,943</b>
<b>Total capital</b>	<b>5,203,827</b>	<b>5,458,349</b>	<b>5,119,237</b>	<b>5,369,828</b>
Less: Investment in subsidiary Companies	-	-	(522,041)	(522,041)
<b>Total capital base</b>	<b>5,203,827</b>	<b>5,458,349</b>	<b>4,597,196</b>	<b>4,847,787</b>
<b><u>Before deducting proposed dividends</u></b>				
Core Capital Ratio	13.50%	13.76%	15.22%	15.78%
Risk-weighted Capital Ratio	16.83%	17.52%	16.87%	17.96%
<b><u>After deducting proposed dividends</u></b>				
Core Capital Ratio	12.98%	13.24%	14.63%	15.18%
Risk-weighted Capital Ratio	16.31%	17.00%	16.29%	17.37%



22 Group segmental reporting on revenue, profit and assets

Financial Period Ended 30/09/2006

<u>By Business Segment</u>	<b>Personal Financial Services RM'000</b>	<b>Business Banking RM'000</b>	<b>Treasury RM'000</b>	<b>Total RM'000</b>
External revenue	150,195	98,368	173,188	421,751
Inter-segment revenue	124,875	(19,657)	(105,218)	-
Segment revenue	<u>275,070</u>	<u>78,711</u>	<u>67,970</u>	<u>421,751</u>
Segment profit before taxation	109,510	39,633	49,257	198,400
Taxation and zakat				(54,033)
Profit after taxation				<u>144,367</u>
Segment assets	22,404,126	6,759,027	30,362,180	59,525,333
Unallocated assets				1,781,054
Total assets				<u>61,306,387</u>

Financial Period Ended 30/09/2005

<u>By Business Segment</u>	<b>Personal Financial Services RM'000</b>	<b>Business Banking RM'000</b>	<b>Treasury RM'000</b>	<b>Total RM'000</b>
External revenue	103,258	93,268	183,142	379,668
Inter-segment revenue	141,362	(20,263)	(121,099)	-
Segment revenue	<u>244,620</u>	<u>73,005</u>	<u>62,043</u>	<u>379,668</u>
Segment profit before taxation	115,205	20,374	61,908	197,487
Taxation and zakat				(55,356)
Profit after taxation				<u>142,131</u>
Segment assets	19,900,988	6,314,254	32,801,974	59,017,216
Unallocated assets				1,579,034
Total assets				<u>60,596,250</u>

## **23 Property, plant and equipment**

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

### **24(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 30 September 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 30 September 2006 except for the following:-

- 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 ('Liquidation'). The liquidation is pending completion.

## 25 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 30/09/2006			Financial Year Ended 30/06/2006		
	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
<b>The Group</b>						
Direct credit substitutes	179,725	179,725	179,725	190,074	190,074	190,074
Transaction-related contingent items	267,880	133,940	133,940	242,907	121,454	121,454
Short-term self liquidating trade-related contingencies	1,010,437	202,087	202,087	633,426	126,685	126,685
Other assets sold with recourse and commitment Irrevocable commitments to extend credit :	45,452	45,452	45,452	31,987	31,987	31,987
-maturity more than 1 year	4,240,516	2,120,258	2,120,258	4,257,875	2,128,938	2,128,938
-maturity less than 1 year	11,133,204	-	-	10,943,047	-	-
Foreign exchange related contracts	11,212,761	258,994	129,497	8,666,574	259,954	129,978
Interest rate related contracts	33,051,418	267,932	133,966	23,109,340	277,279	138,641
Equity related contracts	98,912	4,946	2,473	8,288	415	208
Miscellaneous	321	-	-	418	-	-
<b>Total</b>	<b>61,240,626</b>	<b>3,213,334</b>	<b>2,947,398</b>	<b>48,083,936</b>	<b>3,136,786</b>	<b>2,867,965</b>

**25 Commitments and contingencies (continued)**

	<b>Financial Period Ended 30/09/2006</b>			<b>Financial Year Ended 30/06/2006</b>		
	<b>Principal Amount RM'000</b>	<b>Credit Equivalent RM'000</b>	<b>Risk Weighted Amount RM'000</b>	<b>Principal Amount RM'000</b>	<b>Credit Equivalent RM'000</b>	<b>Risk Weighted Amount RM'000</b>
<b>The Bank</b>						
Direct credit substitutes	179,725	179,725	179,725	190,074	190,074	190,074
Transaction-related contingent items	267,751	133,876	133,876	242,669	121,335	121,335
Short-term self liquidating trade-related contingencies	1,002,972	200,594	200,594	627,655	125,531	125,531
Irrevocable commitments to extend credit :						
-maturity more than 1 year	3,820,898	1,910,449	1,910,449	3,883,289	1,941,645	1,941,645
-maturity less than 1 year	11,118,547	-	-	10,929,166	-	-
Foreign exchange related contracts	11,211,842	258,994	129,498	8,665,667	259,954	129,978
Interest rate related contracts	33,051,418	267,932	133,967	23,109,340	277,279	138,641
Equity related contracts	98,912	4,946	2,473	8,288	415	208
Miscellaneous	321	-	-	419	-	-
<b>Total</b>	<b>60,752,386</b>	<b>2,956,516</b>	<b>2,690,582</b>	<b>47,656,567</b>	<b>2,916,233</b>	<b>2,647,412</b>

**26 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.

27 a) Interest/Profit Rate Risk

Group As at 30 September 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			
<b>Assets</b>									
Cash and short term funds	727,398	-	-	-	-	7,068,924	-	7,796,322	3.7
Deposits & placement with banks & other financial institutions	-	9,559,798	365,454	73,535	-	-	-	9,998,787	3.9
Securities purchased resale agreements	2,860,972	446,964	-	-	-	-	-	3,307,936	3.8
Securities held-for-trading	-	-	-	-	-	-	3,648,496	3,648,496	-
Securities available-for-sale	23,301	233,893	586,202	3,234,131	512,782	106,760	-	4,697,069	3.8
Securities held-to-maturity	10,001	445,098	600,167	212,244	15,344	48,508	-	1,331,362	4.3
Loans, advances and financing									3.8
- performing	20,509,539	1,244,600	778,675	2,108,488	4,043,343	(510,983)	-	28,173,662	6.5
- non-performing	-	-	-	-	-	805,795	-	805,795	-
Other assets	-	-	-	-	-	227,086	-	227,086	-
Statutory deposits with Bank Negara	-	-	-	-	-	893,124	-	893,124	-
Investment in subsidiary	-	-	-	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-	265,640	-	265,640	-
Deferred tax assets	-	-	-	-	-	161,108	-	161,108	-
<b>Total assets</b>	<b>24,131,211</b>	<b>11,930,353</b>	<b>2,330,498</b>	<b>5,628,398</b>	<b>4,571,469</b>	<b>9,065,962</b>	<b>3,648,496</b>	<b>61,306,387</b>	
<b>Liabilities</b>									
Deposits from customers	18,232,211	10,193,644	10,698,920	603,745	-	5,303,771	-	45,032,291	2.9
Deposits & placement of banks & other financial institutions	2,800,409	395,175	36,768	-	-	217	-	3,232,569	4.1
Obligations on securities sold under repurchase agreements	6,051,460	30,000	-	-	-	-	-	6,081,460	3.3
Bills and acceptance payable	9,594	13,046	7,705	45	-	623,838	-	654,228	3.8
Floating rate certificate of deposits	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	1,034,416	-	1,034,416	-
Subordinated obligations	-	-	-	-	722,617	-	-	722,617	5.3
Provision for taxation	-	-	-	-	-	89,258	-	89,258	-
<b>Total liabilities</b>	<b>27,093,674</b>	<b>10,631,865</b>	<b>10,743,393</b>	<b>603,790</b>	<b>722,617</b>	<b>7,051,500</b>	<b>-</b>	<b>56,846,839</b>	
Shareholders' funds						4,459,548		4,459,548	
<b>Total liabilities and shareholders' funds</b>	<b>27,093,674</b>	<b>10,631,865</b>	<b>10,743,393</b>	<b>603,790</b>	<b>722,617</b>	<b>11,511,048</b>	<b>-</b>	<b>61,306,387</b>	
On-balance sheet profit sensitivity gap	(2,962,463)	1,298,488	(8,412,895)	5,024,608	3,848,852	(2,445,086)	3,648,496	-	
Off-balance sheet profit sensitivity gap	240,000	(1,920,645)	(3,476,507)	(7,551,250)	17,402	-	-	-	
<b>Total profit sensitivity gap</b>	<b>(2,722,463)</b>	<b>(622,157)</b>	<b>(11,889,402)</b>	<b>(2,526,642)</b>	<b>3,866,254</b>	<b>(2,445,086)</b>	<b>3,648,496</b>	<b>-</b>	

27 b) Interest/Profit Rate Risk

Group As at 30 June 2006	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				
<b>Assets</b>									
Cash and short term funds	12,690,102	-	-	-	-	874,913	-	13,565,015	3.7
Deposits & placement with banks & other financial institutions	-	1,045,823	365,454	73,535	-	-	-	1,484,812	3.9
Securities purchased resale agreements	2,860,972	1,635,842	-	-	-	-	-	4,496,814	3.8
Securities held at fair value through profit and loss	-	-	-	-	-	-	3,881,514	3,881,514	3.8
Securities available-for-sale	23,301	233,894	596,237	4,316,851	547,089	106,760	-	5,824,132	4.3
Securities held-to-maturity	10,001	174,958	149,313	631,090	15,344	49,083	-	1,029,789	3.8
Loans, advances and financing									
- performing	16,045,866	1,247,974	1,064,895	4,340,884	5,447,316	(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	-
Tax recoverable	-	-	-	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-	252,000	-	252,000	-
Deferred tax assets	-	-	-	-	-	173,301	-	173,301	-
<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>	<b>3,197,995</b>	<b>3,881,514</b>	<b>60,596,250</b>	
<b>Liabilities</b>									
Deposits from customers	20,824,731	7,579,329	11,191,947	636,102	-	4,044,013	-	44,276,122	2.8
Deposits & placement of banks & other financial institutions	2,304,100	455,175	36,768	-	-	217	-	2,796,260	4.1
Obligations on securities sold under repurchase agreements	6,842,399	30,000	-	-	-	-	-	6,872,399	3.3
Bills and acceptance payable	13,045	13,775	7,785	45	-	511,559	-	546,209	3.8
Floating rate certificate of deposits	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	934,706	-	934,706	-
Subordinated Bonds	-	-	-	-	704,049	-	-	704,049	5.3
Provision for tax	-	-	-	-	-	85,596	-	85,596	-
<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>	<b>5,576,091</b>	<b>-</b>	<b>56,215,341</b>	
Shareholders' funds						4,380,909		4,380,909	
<b>Total liabilities and shareholders' 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>	<b>9,957,000</b>	<b>-</b>	<b>60,596,250</b>	
On-balance sheet profit sensitivity gap	1,645,967	(3,739,788)	(9,060,601)	8,726,213	5,305,700	(6,759,005)	3,881,514	-	
Off-balance sheet profit sensitivity gap	(665,000)	(2,925,193)	(4,289,000)	(4,364,107)	(340,700)	-	-	-	
<b>Total profit 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>	<b>(6,759,005)</b>	<b>3,881,514</b>	<b>-</b>	

27 c) Interest/Profit Rate Risk

Bank As at 30 September 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			
<b>Assets</b>									
Cash and short term funds	616,527	-	-	-	-	6,014,333	-	6,630,860	3.8
Deposits & placement with banks & other financial institutions	-	9,920,798	365,454	73,535	-	-	-	10,359,787	3.8
Securities purchased resale agreements	2,860,972	446,964	-	-	-	-	-	3,307,936	3.7
Securities held-for-trading	-	-	-	-	-	-	3,483,133	3,483,133	3.8
Securities available-for-sale	23,301	233,893	586,202	3,054,579	512,782	106,760	-	4,517,517	4.3
Securities held-to-maturity	10,001	9,917	600,167	212,244	15,344	48,508	-	896,181	4.4
Loans, advances and financing									
- performing	16,543,774	1,244,600	778,675	2,108,488	4,043,343	(371,099)	-	24,347,781	6.6
- non-performing	-	-	-	-	-	751,794	-	751,794	-
Other assets	-	-	-	-	-	339,166	-	339,166	-
Statutory deposits with Bank Negara	-	-	-	-	-	715,650	-	715,650	-
Investment in subsidiary	-	-	-	-	-	522,041	-	522,041	-
Property, plant and equipment	-	-	-	-	-	249,287	-	249,287	-
Deferred tax assets	-	-	-	-	-	142,641	-	142,641	-
<b>Total assets</b>	<b>20,054,575</b>	<b>11,856,172</b>	<b>2,330,498</b>	<b>5,448,846</b>	<b>4,571,469</b>	<b>8,519,081</b>	<b>3,483,133</b>	<b>56,263,774</b>	
<b>Liabilities</b>									
Deposits from customers	18,232,211	5,469,574	10,698,920	603,745	-	5,303,771	-	40,308,221	2.9
Deposits & placement of banks & other financial institutions	2,534,877	395,175	36,768	-	-	217	-	2,967,037	4.2
Obligations on securities sold under repurchase agreements	6,051,460	30,000	-	-	-	-	-	6,081,460	3.3
Bills and acceptance payable	9,594	13,046	7,705	45	-	621,903	-	652,293	3.8
Floating rate certificate of deposits	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	1,090,291	-	1,090,291	-
Subordinated obligations	-	-	-	-	722,617	-	-	722,617	5.3
Provision for taxation	-	-	-	-	-	43,263	-	43,263	-
<b>Total liabilities</b>	<b>26,828,142</b>	<b>5,907,795</b>	<b>10,743,393</b>	<b>603,790</b>	<b>722,617</b>	<b>7,059,445</b>	<b>-</b>	<b>51,865,182</b>	
Shareholders' funds						4,398,592		4,398,592	
<b>Total liabilities and shareholders' funds</b>	<b>26,828,142</b>	<b>5,907,795</b>	<b>10,743,393</b>	<b>603,790</b>	<b>722,617</b>	<b>11,458,037</b>	<b>-</b>	<b>56,263,774</b>	
On-balance sheet profit sensitivity gap	(6,773,567)	5,948,377	(8,412,895)	4,845,056	3,848,852	(2,938,956)	3,483,133	-	
Off-balance sheet profit sensitivity gap	240,000	(1,920,645)	(3,476,507)	(7,551,250)	17,402	-	-	-	
<b>Total profit sensitivity gap</b>	<b>(6,533,567)</b>	<b>4,027,732</b>	<b>(11,889,402)</b>	<b>(2,706,194)</b>	<b>3,866,254</b>	<b>(2,938,956)</b>	<b>3,483,133</b>	<b>-</b>	

27 d) Interest/Profit Rate Risk

<b>Bank</b> <b>As at 30 June 2006</b>	←————— 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	Over 5 years RM'000				
<b>Assets</b>										
Cash and short term funds	11,423,741	-	-	-	-	870,338	-	12,294,079	3.8	
Deposits & placement with banks & other financial institutions	-	1,405,823	365,454	73,535	-	-	-	1,844,812	3.8	
Securities purchased resale agreements	2,860,972	1,635,842	-	-	-	-	-	4,496,814	3.7	
Securities held-for-trading	-	-	-	-	-	-	3,752,487	3,752,487	3.8	
Securities available-for-sale	23,301	233,893	586,202	4,182,670	512,782	106,760	-	5,645,608	4.3	
Securities held-to-maturity	10,001	9,917	144,438	212,244	15,344	48,508	-	440,452	4.4	
Loans, advances and financing										
- performing	16,012,513	1,244,600	778,675	2,108,488	4,043,343	(363,139)	-	23,824,480	6.6	
- non-performing	-	-	-	-	-	846,627	-	846,627	-	
Other assets	-	-	-	-	-	363,844	-	363,844	-	
Statutory deposits with Bank Negara	-	-	-	-	-	718,100	-	718,100	-	
Tax recoverable	-	-	-	-	-	522,041	-	522,041	-	
Property, plant and equipment	-	-	-	-	-	235,513	-	235,513	-	
Deferred tax assets	-	-	-	-	-	154,238	-	154,238	-	
<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>	<b>3,502,830</b>	<b>3,752,487</b>	<b>55,139,095</b>		
<b>Liabilities</b>										
Deposits from customers	18,232,211	5,469,574	10,698,920	603,745	-	4,054,498	-	39,058,948	2.8	
Deposits & placement of banks & other financial institutions	2,229,099	395,175	36,768	-	-	217	-	2,661,259	4.2	
Obligations on securities sold under repurchase agreements	6,842,399	30,000	-	-	-	-	-	6,872,399	3.3	
Bills and acceptance payable	9,594	13,046	7,705	45	-	511,167	-	541,557	3.8	
Floating rate certificate of deposits	-	-	-	-	-	-	-	-	-	
Other liabilities	-	-	-	-	-	935,051	-	935,051	-	
Subordinated obligations	-	-	-	-	704,049	-	-	704,049	5.3	
Provision for taxation	-	-	-	-	-	30,504	-	30,504	-	
<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>	<b>5,531,437</b>	<b>-</b>	<b>50,803,767</b>		
Shareholders' funds								4,335,328		
<b>Total liabilities and shareholders' 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>	<b>9,866,765</b>	<b>-</b>	<b>55,139,095</b>		
On-balance sheet profit sensitivity gap	3,017,225	(1,377,720)	(8,868,624)	5,973,147	3,867,420	(6,363,935)	3,752,487	-		
Off-balance sheet profit sensitivity gap	240,000	(1,920,645)	(3,476,507)	(7,551,250)	17,402	-	-	-		
<b>Total profit sensitivity gap</b>	<b>3,257,225</b>	<b>(3,298,365)</b>	<b>(12,345,131)</b>	<b>(1,578,103)</b>	<b>3,884,822</b>	<b>(6,363,935)</b>	<b>3,752,487</b>	<b>-</b>		



28 Operations of Islamic Banking

28a Unaudited Balance Sheets as at 30 September 2006

	Group		Bank	
	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000
<b><u>ASSETS</u></b>				
Cash and short-term funds	1,413,121	1,370,943	-	-
Deposits and placements with banks and other financial institutions	-	-	-	-
Securities - Held for trading	165,363	129,027	-	-
Securities - Available for sale	179,552	178,524	-	-
Securities - Held to maturity	435,181	589,337	-	-
Financing, advances and other financing	3,878,599	3,944,758	-	-
Other assets	12,550	36,525	-	-
Statutory deposits with Bank Negara Malaysia	177,474	163,424	-	-
Property, plant and equipment	1,959	2,060	-	-
Deferred tax assets	18,467	19,063	-	-
<b>Total Assets</b>	<b>6,282,266</b>	<b>6,433,661</b>	<b>-</b>	<b>-</b>
<b><u>LIABILITIES AND SHAREHOLDERS' FUNDS</u></b>				
Deposits from customers	5,358,720	5,701,544	-	-
Deposits and placements of banks and other financial institutions	265,531	135,000	-	-
Obligations on securities sold under repurchase agreements	-	-	-	-
Bills and acceptance payable	182	1,424	-	-
Other liabilities	100,113	52,037	-	-
Provision for taxation	1,854	2,373	-	-
<b>Total Liabilities</b>	<b>5,726,400</b>	<b>5,892,378</b>	<b>-</b>	<b>-</b>
Islamic banking capital fund	500,000	500,000	-	-
Reserves	55,866	41,283	-	-
<b>Islamic Banking Funds</b>	<b>555,866</b>	<b>541,283</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Islamic Banking Funds</b>	<b>6,282,266</b>	<b>6,433,661</b>	<b>-</b>	<b>-</b>
<b><u>COMMITMENTS AND CONTINGENCIES</u></b>				
	<b>488,241</b>	<b>427,370</b>	<b>-</b>	<b>-</b>

Note: Islamic business of the Bank had been vested to HLIB effective 1 July 2005

## 28 Operations of Islamic Banking (continued)

## 28b Unaudited Income Statements for the 1st Quarter and Three Months Ended 30 September 2006

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2006 RM'000	30/09/2005 RM'000	30/09/2006 RM'000	30/09/2005 RM'000
<b>Group</b>				
Income derived from investment of deposits' funds and others	76,799	67,967	76,799	67,967
Income derived from investment of shareholders' funds	7,589	6,658	7,589	6,658
Allowance for losses on financing	1,566	(2,253)	1,566	(2,253)
Provision for commitments and contingencies	-	-	-	-
Impairment loss	-	-	-	-
Profit equalisation reserve	1,000	-	1,000	-
Other expenses directly attributable to the investment of the deposits and shareholders' funds	-	-	-	-
<b>Total distributable income</b>	<b>86,954</b>	<b>72,372</b>	<b>86,954</b>	<b>72,372</b>
Income attributable to deposits	(49,217)	(34,601)	(49,217)	(34,601)
<b>Total net income</b>	<b>37,737</b>	<b>37,771</b>	<b>37,737</b>	<b>37,771</b>
Other operating expenses	(18,849)	(20,658)	(18,849)	(20,658)
<b>Profit before taxation and zakat</b>	<b>18,888</b>	<b>17,113</b>	<b>18,888</b>	<b>17,113</b>
Zakat	(9)	(15)	(9)	(15)
Taxation	(5,100)	(4,822)	(5,100)	(4,822)
<b>Profit after taxation and zakat</b>	<b>13,779</b>	<b>12,276</b>	<b>13,779</b>	<b>12,276</b>
Profit attributable to shareholders	<b>13,779</b>	<b>12,276</b>	<b>13,779</b>	<b>12,276</b>
Earnings per share - basic (sen)	<b>2.76</b>	<b>2.46</b>	<b>2.76</b>	<b>2.46</b>
Earnings per share - fully diluted (sen)	<b>2.76</b>	<b>2.46</b>	<b>2.76</b>	<b>2.46</b>

## 28 Operations of Islamic Banking (continued)

28b Unaudited Income Statements for the 1st Quarter and Three Months Ended 30 September 2006  
(continued)

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2006 RM'000	30/09/2005 RM'000	30/09/2006 RM'000	30/09/2005 RM'000
<b>Bank</b>				
Income derived from investment of deposits' funds and others	-	-	-	-
Income derived from investment of shareholders' funds	-	-	-	-
Allowance for losses on financing	-	-	-	-
Provision for commitments and contingencies	-	-	-	-
Impairment loss	-	-	-	-
Profit equalisation reserve	-	-	-	-
Other expenses directly attributable to the investment of the deposits and shareholders' funds	-	-	-	-
<b>Total distributable income</b>	-	-	-	-
Income attributable to deposits	-	-	-	-
<b>Total net income</b>	-	-	-	-
Other operating expenses	-	-	-	-
<b>Profit before taxation and zakat</b>	-	-	-	-
Zakat	-	-	-	-
Taxation	-	-	-	-
<b>Profit after taxation and zakat</b>	-	-	-	-
Profit attributable to shareholders	-	-	-	-
Earnings per share - basic (sen)	-	-	-	-
Earnings per share - fully diluted (sen)	-	-	-	-

Note: Islamic business of the Bank had been vested to HLIB effective 1 July 2005

## 28 Operations of Islamic Banking (continued)

28c Financing, advances and other financing

## (i) By type

	Group		Bank	
	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000
Cash line	9,283	10,196	-	-
Term financing				
- House financing	1,261,232	1,045,491	-	-
- Hire purchase receivable	3,252,627	3,343,399	-	-
- Lease receivable	17,236	15,098	-	-
- Other term financing	537,773	548,171	-	-
Claims on customers under acceptance credits	20,790	103,291	-	-
Staff financing	113	123	-	-
Revolving credit	3,402	2,900	-	-
Others	1,148	1,096	-	-
	<u>5,103,604</u>	<u>5,069,765</u>	-	-
Less: Unearned income	<u>(1,139,039)</u>	<u>(1,037,941)</u>	-	-
	3,964,565	4,031,824	-	-
Less: Allowance for bad and doubtful financing				
- General	(59,175)	(60,158)	-	-
- Specific	(26,791)	(26,908)	-	-
Total net financing, advances and other financing	<u><u>3,878,599</u></u>	<u><u>3,944,758</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

## (ii) By contract

	Group		Bank	
	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000
Bai' Bithaman Ajil (deferred payment sale)	1,065,733	979,754	-	-
Ijarah (lease)	15,809	13,794	-	-
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,862,233	2,934,985	-	-
Murabahah (cost-plus)	20,790	103,291	-	-
	<u><u>3,964,565</u></u>	<u><u>4,031,824</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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

28c Financing, advances and other financing (continued)

**Non-performing financing**

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

	Group		Bank	
	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000
At beginning	75,637	70,437	-	70,437
Amount transferred from HLF				
Amount transferred to HLIB			-	(70,437)
Classified as non-performing during the period	63,042	240,128		-
Reclassified as performing	(49,329)	(195,844)		-
Amount recovered	(7,643)	(32,270)		-
Amount written off	-	(6,814)		-
At end	<u>81,707</u>	<u>75,637</u>	<u>-</u>	<u>-</u>
Net non-performing financing, advances and other financing	<u>54,916</u>	<u>48,729</u>	<u>-</u>	<u>-</u>
Ratio of net non-performing financing, advances and other financing to total net financing, advances and other financing	<u>1.4%</u>	<u>1.2%</u>	<u>-</u>	<u>-</u>

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

28c Financing, advances and other financing (continued)

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

	Group		Bank	
	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000
<b>General allowance</b>				
At beginning	60,158	55,009	-	55,009
Amount transferred from HLF	-	-	-	-
Amount transferred to HLIB	-	-	-	(55,009)
Allowance made / (written back)	(983)	5,149	-	-
At end	<u>59,175</u>	<u>60,158</u>	<u>-</u>	<u>-</u>
As % of gross financing, advances and other financing less specific allowance	<u>1.5%</u>	<u>1.5%</u>	<u>-</u>	<u>-</u>
<b>Specific allowance</b>				
At beginning	26,908	13,063	-	13,063
Amount transferred from HLF	-	-	-	-
Amount transferred to HLIB	-	-	-	(13,063)
Allowance made	7,299	26,771	-	-
Amount recovered	(7,416)	(6,111)	-	-
Amount written off	-	(6,815)	-	-
At end	<u>26,791</u>	<u>26,908</u>	<u>-</u>	<u>-</u>

28 Operations of Islamic Banking (continued)

28d Deposits from customer

By type of deposit

	Group		Bank	
	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000
<b>Non-Mudharabah</b>				
Demand deposits	177,106	127,218	-	-
Savings deposits	465,070	433,735	-	-
Negotiable Islamic Debt Certificate	378,874	1,739,230	-	-
Others	-	-	-	-
	<u>1,021,050</u>	<u>2,300,183</u>	<u>-</u>	<u>-</u>
<b>Mudharabah</b>				
Demand deposits	-	-	-	-
Saving deposits	327,446	292,243	-	-
General investment deposits	2,733,414	2,094,070	-	-
Specific investment deposits	1,275,449	1,013,613	-	-
Others	1,361	1,435	-	-
	<u>4,337,670</u>	<u>3,401,361</u>	<u>-</u>	<u>-</u>
	<u><b>5,358,720</b></u>	<u><b>5,701,544</b></u>	<u><b>-</b></u>	<u><b>-</b></u>

During the quarter ended 30 September 2006, the Group have adopted the new and revised FRSs issued by MASB that are applicable with effect from 1 July 2006 which resulted in changes in accounting policies as follows:

(i) FRS 2 : Share-based Payment

FRS 2 requires an entity to recognise share-based payments in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity. With the adoption of FRS 2, the compensation expense relating to share options is recognised in the income statements over the vesting periods of the grants with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by the vesting date. The change in accounting policy is applied retrospectively only for those shares options granted after 31 December 2004 and have not vested as of 1 January 2006 as provided in the transitional provision of FRS 2.

For the current quarter under review, there were no share options granted under the ESOS and accordingly, the adoption of FRS 2 has not resulted in any financial impact to the Group.

In connection with the ESOS, a trust has been set up and is administered by an appointed trustee. The trustee will be entitled from time to time to accept advances from the Group to purchase the Company's ordinary shares from the open market for the purposes of the ESOS.

In accordance with IC Interpretation 112 Consolidation - Special Purpose Entities, the advances given to the trustee is consolidated and classified as Treasury Shares held for ESOS.

(ii) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The adoption of FRS 3, FRS 136 and FRS 138 has resulted in the Group ceasing amortisation of goodwill. Goodwill carried at cost less accumulated impairment losses, is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it may be impaired. Impairment losses are recognised in the income statement when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds the recoverable amount.

In prior periods, goodwill arising on consolidation is stated at cost except it is written off if, in the opinion of the Directors, it is impaired



**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 RM198.4 million for the current financial quarter ended 30 September 2006, an increase of RM0.9 million as compared to previous corresponding quarter. Net Income increased by RM42.0 million which was spurred by strong growth in business volume

**2. Review of performance of current quarter against preceding quarter**

For the current financial quarter, the Group recorded a pre-tax profit of RM198.4 million as compared to RM201.3 million in the preceding quarter, a decrease of RM2.9 million.

**3 Current year prospect**

The Group is optimistic of delivering better results, through leveraging on innovative products in the current financial year and 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**

	<b>Current Quarter Ended 30/09/2006 RM'000</b>	<b>Corresponding Quarter Ended 30/09/2005 RM'000</b>	<b>Financial Period Ended 30/09/2006 RM'000</b>	<b>Financial Period Ended 30/09/2005 RM'000</b>
<b>The Group</b>				
Malaysian income tax	59,145	50,804	59,145	50,804
Overseas tax	-	-	-	-
	<u>59,145</u>	<u>50,804</u>	<u>59,145</u>	<u>50,804</u>
Transfer from/ (to) deferred taxation	(5,121)	4,537	(5,121)	4,537
	<u><u>54,024</u></u>	<u><u>55,341</u></u>	<u><u>54,024</u></u>	<u><u>55,341</u></u>

## 5 Taxation (continued)

### The Bank

Malaysian income tax	54,322	45,944	54,322	45,944
Overseas tax	-	-	-	-
	<u>54,322</u>	<u>45,944</u>	<u>54,322</u>	<u>45,944</u>
Transfer from/(to) deferred taxation	<u>(5,386)</u>	<u>4,537</u>	<u>(5,386)</u>	<u>4,537</u>
	<u><u>48,936</u></u>	<u><u>50,481</u></u>	<u><u>48,936</u></u>	<u><u>50,481</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) 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%).

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 because there are no borrowings.

10 Deposits and debt securities

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000
<b>Deposits from customers</b>				
Fixed deposits	28,171,392	27,071,336	24,785,054	24,436,102
Negotiable instruments of Deposit	5,739,883	6,229,198	5,361,009	4,489,968
Demand deposits	4,454,526	4,328,335	4,289,546	4,213,037
Savings deposits	6,406,907	6,402,925	5,614,390	5,676,948
Other	259,583	244,328	258,222	242,893
	<u>45,032,291</u>	<u>44,276,122</u>	<u>40,308,221</u>	<u>39,058,948</u>

The maturity structure of  
fixed deposits and negotiable  
instruments :

One year or less (short term)	33,307,531	32,696,790	29,542,319	28,322,326
More than one year (medium/long term)	603,744	603,744	603,744	603,744
	<u>33,911,275</u>	<u>33,300,534</u>	<u>30,146,063</u>	<u>28,926,070</u>

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000	Financial Period Ended 30/09/2006 RM'000	Financial Year Ended 30/06/2006 RM'000
<b>Deposits and placements of banks and other financial institutions</b>				
Licensed banks	2,982,569	2,494,760	2,717,038	2,359,760
Other financial institutions	250,000	301,500	249,999	301,499
	<u>3,232,569</u>	<u>2,796,260</u>	<u>2,967,037</u>	<u>2,661,259</u>

The maturity structure of  
deposits and placements of  
banks and other financial  
institutions :

One year or less (short term)	3,232,569	2,796,260	2,967,037	2,661,259
More than one year (medium/long term)	-	-	-	-
	<u>3,232,569</u>	<u>2,796,260</u>	<u>2,967,037</u>	<u>2,661,259</u>

## 11 Subordinated Bonds

### The Group and The Bank

	<b>Financial Period Ended</b>	<b>Financial Year Ended</b>
	<b>30/09/2006</b>	<b>30/06/2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Subordinated Bonds		
- USD200 million	<u>722,617</u>	<u>704,049</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.

## 12 Off-Balance Sheet Financial instruments

Details of financial instruments with off-balance sheet risk as at 30 September 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	2,602,795	1,615,080	498,576	297,236	161,095	30,808	-
- swaps	6,047,538	2,371,336	884,684	1,635,106	191,712	218,700	746,000
- options	2,562,428	1,164,612	907,843	438,490	29,468	22,015	-
Interest rate related contracts							
- forwards							
- futures	21,034,351	-	2,097,338	2,147,000	4,948,843	11,822,727	18,443
- swaps	12,017,067	60,000	60,000	430,000	1,960,000	9,119,161	387,906
<b>Total</b>	<b>44,264,179</b>	<b>5,211,028</b>	<b>4,448,441</b>	<b>4,947,832</b>	<b>7,291,118</b>	<b>21,213,411</b>	<b>1,152,349</b>

### 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	2,601,877	1,614,162	498,576	297,236	161,095	30,808	-
- swaps	6,047,537	2,371,335	884,684	1,635,106	191,712	218,700	746,000
- options	2,562,428	1,164,612	907,843	438,490	29,468	22,015	-
Interest rate related contracts							
- forwards							
- futures	21,034,351	-	2,097,338	2,147,000	4,948,843	11,822,727	18,443
- swaps	12,017,067	60,000	60,000	430,000	1,960,000	9,119,161	387,906
<b>Total</b>	<b>44,263,260</b>	<b>5,210,109</b>	<b>4,448,441</b>	<b>4,947,832</b>	<b>7,291,118</b>	<b>21,213,411</b>	<b>1,152,349</b>

## 12 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 RM123,415,036 (FYE June 2006: RM340,585,000) and RM16,212,205,000 (FYE June 2006: RM14,197,940,190) 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 RM57,002,058 (FYE June 2006: RM115,302,951). 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.

### 13 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.

### 14 Dividend

No interim dividend has been proposed for this current period.

### 15 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.

	<b>Current Quarter Ended 30/09/2006 RM'000</b>	<b>Corresponding Quarter Ended 30/09/2005 RM'000</b>	<b>Financial Period Ended 30/09/2006 RM'000</b>	<b>Financial Period Ended 30/09/2005 RM'000</b>
<b><u>The Group</u></b>				
Profit after taxation	144,367	142,131	144,367	142,131
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	(137,048)	(52,152)	(137,048)	(52,152)
	<u>1,443,059</u>	<u>1,527,955</u>	<u>1,443,059</u>	<u>1,527,956</u>
<b>Basic earnings per share (sen)</b>	10.0	9.3	10.0	9.3
<b><u>The Bank</u></b>				
Profit after taxation	129,796	128,718	129,796	128,718
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	(137,048)	(52,152)	(137,048)	(52,152)
	<u>1,443,059</u>	<u>1,527,955</u>	<u>1,443,059</u>	<u>1,527,956</u>
<b>Basic earnings per share (sen)</b>	9.0	8.4	9.0	8.4

## 15 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.

	<b>Current Quarter Ended 30/09/2006 RM'000</b>	<b>Corresponding Quarter Ended 30/09/2005 RM'000</b>	<b>Financial Period Ended 30/09/2006 RM'000</b>	<b>Financial Period Ended 30/09/2005 RM'000</b>
<b><u>The Group</u></b>				
Profit after taxation	144,367	142,131	144,367	142,131
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the year	1,443,059	1,527,955	1,443,059	1,527,956
- adjustment for ESOS	-	-	-	-
	<u>1,443,059</u>	<u>1,527,955</u>	<u>1,443,059</u>	<u>1,527,956</u>
<b>Fully diluted earnings per share (sen)</b>	10.0	9.3	10.0	9.3
<b><u>The Bank</u></b>				
Profit after taxation	129,796	128,718	129,796	128,718
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the year	1,443,059	1,527,955	1,443,059	1,527,955
- adjustment for ESOS	-	-	-	-
	<u>1,443,059</u>	<u>1,527,955</u>	<u>1,443,059</u>	<u>1,527,955</u>
<b>Fully diluted earnings per share (sen)</b>	9.0	8.4	9.0	8.4