

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

| | Note | The Group | | The Bank | |
|--|------|---|---|---|---|
| | | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 |
| ASSETS | | | | | |
| Cash and short-term funds | | 9,181,000 | 13,565,015 | 8,028,588 | 12,294,079 |
| Deposits and placements with financial institutions | | 14,067,612 | 1,484,812 | 13,697,612 | 1,844,812 |
| Securities purchased under resale agreements | | 987,467 | 4,496,814 | 987,467 | 4,496,814 |
| Securities held at fair value through profit and loss | 8 | 2,208,316 | 3,881,514 | 2,049,414 | 3,752,487 |
| Securities available-for-sale | 9 | 3,450,001 | 5,824,132 | 3,294,392 | 5,645,608 |
| Securities held-to-maturity | 10 | 5,102,683 | 1,029,789 | 4,666,597 | 440,452 |
| Loans, advances and financing | 11 | 29,690,366 | 28,618,868 | 25,911,458 | 24,671,107 |
| Other assets | 12 | 413,874 | 388,481 | 394,072 | 363,844 |
| Statutory deposits with Bank Negara Malaysia | | 960,119 | 881,524 | 815,995 | 718,100 |
| Investment in subsidiary companies | | - | - | 577,041 | 522,041 |
| Property, plant and equipment | | 279,992 | 252,000 | 259,696 | 235,513 |
| Deferred tax assets | | 156,711 | 173,301 | 138,899 | 154,238 |
| General and Family Takaful fund assets | | 1,215 | - | - | - |
| Total Assets | | 66,499,356 | 60,596,250 | 60,821,231 | 55,139,095 |
| LIABILITIES AND SHAREHOLDERS' FUNDS | | | | | |
| Deposits from customers | 13 | 49,131,795 | 44,276,122 | 43,841,212 | 39,058,948 |
| Deposits and placements of banks and other financial institutions | 14 | 2,000,013 | 2,796,260 | 1,814,721 | 2,661,259 |
| Obligations on securities sold under repurchase agreements | | 7,936,683 | 6,872,399 | 7,936,683 | 6,872,399 |
| Bills and acceptance payable | | 509,177 | 546,209 | 506,526 | 541,557 |
| Other liabilities | 15 | 1,106,210 | 934,706 | 1,066,290 | 935,051 |
| Subordinated Bonds | | 696,446 | 704,049 | 696,446 | 704,049 |
| Syndicated loan facility | | 529,050 | - | 529,050 | - |
| Provision for taxation | | 90,590 | 85,596 | 50,857 | 30,504 |
| General and Family Takaful fund liabilities | | 1,212 | - | - | - |
| General and Family Takaful policyholders' fund | | 3 | - | - | - |
| Total Liabilities | | 62,001,179 | 56,215,341 | 56,441,785 | 50,803,767 |
| Share Capital | | 1,580,107 | 1,580,107 | 1,580,107 | 1,580,107 |
| Reserves | | 3,496,975 | 3,291,827 | 3,422,764 | 3,246,246 |
| Less: Treasury Shares | | (623,425) | (491,025) | (623,425) | (491,025) |
| Total Shareholders' Equity | | 4,453,657 | 4,380,909 | 4,379,446 | 4,335,328 |
| Minority interest | | 44,520 | - | - | - |
| Total Equity | | 4,498,177 | 4,380,909 | 4,379,446 | 4,335,328 |
| Total Liabilities and Equity | | 66,499,356 | 60,596,250 | 60,821,231 | 55,139,095 |
| COMMITMENTS AND CONTINGENCIES | 25 | 60,406,875 | 48,083,936 | 59,990,163 | 47,656,567 |
| CAPITAL ADEQUACY | | | | | |
| Before deducting proposed dividends | | | | | |
| Core capital ratio | 21 | 14.06% | 13.76% | 15.62% | 15.78% |
| Risk-weighted capital ratio | 21 | 17.80% | 17.52% | 17.54% | 17.96% |
| After deducting proposed dividends | | | | | |
| Core capital ratio | 21 | 13.75% | 13.24% | 15.27% | 15.18% |
| Risk-weighted capital ratio | 21 | 17.49% | 17.00% | 17.19% | 17.37% |
| Net asset per share attributable to ordinary equity holders of the parent (RM) * | | 3.05 | 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 31 December 2006

The Group

| | Note | Current Quarter Ended 31/12/2006 RM'000 | Corresponding Quarter Ended 31/12/2005 RM'000 | Current Period Ended 31/12/2006 RM'000 | Corresponding Period Ended 31/12/2005 RM'000 |
|---|------|--|--|---|---|
| Interest income | 16 | 703,700 | 566,587 | 1,370,518 | 1,132,076 |
| Interest expense | 17 | (415,842) | (334,278) | (785,360) | (662,487) |
| Net interest income | | 287,858 | 232,309 | 585,158 | 469,589 |
| Net income from Islamic Banking business | | 30,617 | 43,523 | 66,787 | 83,302 |
| Other operating income | 18 | 118,319 | 85,534 | 206,600 | 188,143 |
| Net Income | | 436,794 | 361,366 | 858,545 | 741,034 |
| Other operating expenses | 19 | (175,253) | (152,671) | (345,364) | (301,805) |
| Operating profit before provision Allowance for losses on loans, advances and financing | 20 | 261,541 | 208,695 | 513,181 | 439,229 |
| Impairment loss - securities | | - | - | - | (3,039) |
| Profit before taxation (and zakat) | | 212,432 | 136,068 | 410,832 | 333,555 |
| Taxation | | (57,346) | (37,784) | (111,370) | (93,125) |
| Zakat | | (9) | (15) | (18) | (30) |
| Net profit for the period | | 155,077 | 98,269 | 299,444 | 240,400 |
| Attributable to: | | | | | |
| Equity holders of the parent | | 155,557 | 98,269 | 299,924 | 240,400 |
| Minority Interest | | (480) | - | (480) | - |
| Net profit for the period | | 155,077 | 98,269 | 299,444 | 240,400 |
| Earnings per share - basic (sen) | | 10.6 | 6.4 | 20.4 | 15.7 |
| Earnings per share - fully diluted (sen) | | 10.6 | 6.4 | 20.4 | 15.7 |

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

| The Bank | | | | | |
|--|-------------|--|--|---|---|
| | Note | Current Quarter Ended 31/12/2006 RM'000 | Corresponding Quarter Ended 31/12/2005 RM'000 | Current Period Ended 31/12/2006 RM'000 | Corresponding Period Ended 31/12/2005 RM'000 |
| Interest income | 16 | 708,243 | 574,618 | 1,379,680 | 1,144,647 |
| Interest expense | 17 | (420,635) | (342,499) | (794,910) | (675,443) |
| Net interest income | | 287,608 | 232,119 | 584,770 | 469,204 |
| Net income from Islamic Banking business | | - | - | - | - |
| Other operating income | 18 | 117,963 | 85,510 | 206,243 | 187,684 |
| Net Income | | 405,571 | 317,629 | 791,013 | 656,888 |
| Other operating expenses | 19 | (161,519) | (131,592) | (312,873) | (260,480) |
| Operating profit before provision Allowances for losses on loans and financing | 20 | 244,052 | 186,037 | 478,140 | 396,408 |
| Impairment loss - securities | | - | - | - | (3,039) |
| Profit before taxation (and zakat) | | 195,872 | 119,576 | 374,604 | 298,775 |
| Taxation | | (52,621) | (33,427) | (101,557) | (83,908) |
| Zakat | | - | - | - | - |
| Profit after taxation | | 143,251 | 86,149 | 273,047 | 214,867 |
| Profit attributable to shareholders | | 143,251 | 86,149 | 273,047 | 214,867 |
| Earnings per share - basic (sen) | | 9.8 | 5.6 | 18.6 | 14.1 |
| Earnings per share - fully diluted (sen) | | 9.8 | 5.6 | 18.6 | 14.1 |

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

| | Non-distributable | | | | | Distributable | | | Total Shareholders' Equity RM'000 | Minority Interest RM'000 | Total Equity 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 Group | | | | | | | | | | | |
| 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 | - | 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 | - | 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 | - | 4,380,909 | |
| Currency translation differences | - | - | - | - | 3,751 | - | - | - | - | 3,751 | |
| Net gain/(loss) not recognised in the profit and loss accounts | - | - | - | - | 3,751 | - | - | 3,751 | - | 3,751 | |
| Investment of shares in a subsidiary | - | - | - | - | - | - | - | - | 45,000 | 45,000 | |
| Net profit for the period | - | - | - | - | - | 299,924 | - | 299,924 | (480) | 299,444 | |
| Transfer to statutory reserve | - | - | 47,472 | - | - | (47,472) | - | - | - | - | |
| Dividend paid | - | - | - | - | - | (160,410) | - | (160,410) | - | (160,410) | |
| less: Treasury shares | - | - | - | - | - | - | (132,400) | (132,400) | - | (132,400) | |
| Net fair value changes in available for sale securities | - | - | - | 61,883 | - | - | - | 61,883 | - | 61,883 | |
| Closing Balance @ 31 December 2006 | 1,580,107 | 539,664 | 1,673,875 | (17,725) | 39,114 | 1,262,047 | (623,425) | 4,453,657 | 44,520 | 4,498,177 | |
| As at 1 July 2004 | 1,580,107 | 539,664 | 1,479,216 | 819 | 36,153 | 1,040,133 | (274,375) | 4,400,898 | - | 4,400,898 | |
| As previously stated | 1,580,107 | 539,664 | 1,479,216 | 819 | 36,153 | (4,180) | - | (3,361) | - | (3,361) | |
| Prior Year Adjustment | - | - | - | - | - | - | - | - | - | - | |
| As at 1 July 2004, as restated | 1,580,107 | 539,664 | 1,479,216 | 819 | 36,153 | 1,035,953 | (274,375) | 4,397,537 | - | 4,397,537 | |
| Currency translation differences | - | - | - | - | 130 | - | - | 130 | - | 130 | |
| Net gain/(loss) not recognised in the profit and loss accounts | - | - | - | - | 130 | - | - | 130 | - | 130 | |
| Net profit for the period | - | - | - | - | - | 240,400 | - | 240,400 | - | 240,400 | |
| Unrealised loss arising from the change in fair value of available-for-sale securities | - | - | - | (46,508) | - | - | - | (46,508) | - | (46,508) | |
| Fair value reserve realised on disposal of available-for-sale securities | - | - | - | (2,996) | - | - | - | (2,996) | - | (2,996) | |
| Deferred Tax | - | - | 65,314 | (1,720) | - | (65,314) | - | (1,720) | - | (1,720) | |
| Transfer to statutory reserve | - | - | - | - | - | (170,407) | - | (170,407) | - | (170,407) | |
| Dividend paid | - | - | - | - | - | - | (33,775) | (33,775) | - | (33,775) | |
| less: Treasury shares | - | - | - | - | - | - | - | - | - | - | |
| Closing Balance @ 31 December 2005 | 1,580,107 | 539,664 | 1,544,530 | (50,405) | 36,283 | 1,040,632 | (308,150) | 4,382,661 | - | 4,382,661 | |

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

| The Bank | Non-distributable | | | | Distributable | | Treasury Shares RM'000 | 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 | | |
| As at 1 July 2006 | 1,580,107 | 539,664 | 1,604,855 | (77,795) | 35,363 | 1,144,159 | (481,025) | 4,335,328 |
| As previously stated Prior Year Adjustment | - | - | - | - | - | - | - | - |
| As at 1 July 2006, as restated | 1,580,107 | 539,664 | 1,604,855 | (77,795) | 35,363 | 1,144,159 | (481,025) | 4,335,328 |
| <i>Currency translation differences</i> | - | - | - | - | 3,751 | - | - | 3,751 |
| Net gain/(loss) not recognised in the profit and loss accounts | - | - | - | - | 3,751 | - | - | 3,751 |
| Net profit for the period | - | - | - | - | - | 273,047 | - | 273,047 |
| Transfer to statutory reserve | - | - | 34,367 | - | - | (34,367) | - | - |
| Dividend paid | - | - | - | - | - | (160,410) | - | (160,410) |
| less: Purchase of Treasury Shares | - | - | - | - | - | - | (132,400) | (132,400) |
| Net fair value changes in available for sale securities | - | - | - | 60,130 | - | - | - | 60,130 |
| Closing Balance @ 31 December 2006 | 1,580,107 | 539,664 | 1,639,222 | (17,665) | 39,114 | 1,222,429 | (623,425) | 4,379,446 |
| As at 1 July 2004 | 1,580,107 | 539,664 | 1,479,216 | - | 36,153 | 1,040,103 | (274,375) | 4,400,868 |
| As previously stated Prior Year Adjustment | - | - | - | 819 | - | (4,180) | - | (3,361) |
| As at 1 July 2004, 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> | - | - | - | - | 130 | - | - | 130 |
| Net gain/(loss) not recognised in the profit and loss accounts | - | - | - | - | 130 | - | - | 130 |
| Net profit for the period | - | - | - | - | - | 214,867 | - | 214,867 |
| Unrealised loss arising from the change in fair value of available-for-sale securities | - | - | - | (45,251) | - | - | - | (45,251) |
| 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 | - | - | 53,717 | - | - | (53,717) | - | - |
| Dividend paid | - | - | - | - | - | (170,407) | - | (170,407) |
| Purchase of treasury shares | - | - | - | - | - | - | (33,775) | (33,775) |
| Closing Balance @ 31 December 2005 | 1,580,107 | 539,664 | 1,532,933 | (49,148) | 36,283 | 1,026,666 | (308,150) | 4,358,355 |

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

| | The Group | | The Bank | |
|---|---|---|---|---|
| | Financial Year Ended 31/12/2006 RM'000 | Financial Year Ended 31/12/2005 RM'000 | Financial Period Ended 31/12/2006 RM'000 | Financial Period Ended 31/12/2005 RM'000 |
| Operating activities | | | | |
| Profit before taxation | 410,832 | 333,555 | 374,604 | 298,775 |
| Adjustments for non-cash items | 221,071 | 6,685 | 221,477 | 7,090 |
| Operating profit before working capital changes | 631,903 | 340,240 | 596,081 | 305,865 |
| Income taxes and zakat paid | (128,906) | (104,468) | (119,801) | (121,728) |
| Net changes in working capital | (1,303,571) | (2,725,471) | (5,536,149) | (3,590,009) |
| Net cash flow from operating activities | (800,574) | (2,489,699) | (5,059,869) | (3,405,872) |
| Net cash flow from investing activities | (3,471,543) | (109,723) | 906,276 | (565,737) |
| Net cash flow from financing activities | (112,197) | (33,775) | (112,197) | (33,775) |
| Changes in cash and cash equivalents | (4,384,314) | (2,633,197) | (4,265,790) | (4,005,384) |
| Currency translation differences | 299 | 6,492 | 299 | 6,492 |
| 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 | 9,181,000 | 8,497,873 | 8,028,588 | 7,126,659 |

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR FINANCIAL QUARTER ENDED 31 DECEMBER 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 Boards 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, 101, 110, 116, 121, 127, 132, 133 and 140 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 29.

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 cyclical 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 December 2006 other than as mentioned below:-

a) Share Buy-back

During the financial period ended 31 December 2006, the Bank purchased a total of 15,334,000 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 December 2006 are as follows:

| Month | No of shares bought back RM | 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 |
| Oct-06 | - | - | - | - | - |
| Nov-06 | 3,661,300 | 5.35 | 5.45 | 5.44 | 19,984,395.91 |
| Dec-06 | 40,000 | 5.45 | 5.45 | 5.45 | 218,777.70 |
| | | | | | |
| For the period | 15,334,000 | 5.25 | 5.45 | 5.38 | 82,489,275.12 |

The total number of shares bought back, all of which were held as treasury shares as at 31 December 2006 amounted to 78,876,500 shares, at an average price per share of RM5.25. None of the treasury shares were resold or canceled to date.

6 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 9,520,000 shares at an average price of RM5.24 per share. Total consideration paid, including transaction costs was RM49,909,962. As at 31 December 2006, the total number of Treasury Shares for ESOS was 40,000,000 at an average carrying value of RM5.14 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

A final dividend of 15.0 sen per share less income tax of 27% in respect of financial year ended 30 June 2006 amounting to RM160.4 million was paid on 17 November 2006.

8 Securities held at fair value through profit or loss

| | <u>The Group</u> | | <u>The Bank</u> | |
|--|---|---|---|---|
| | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 |
| At Fair Value | | | | |
| Held-for-trading | | | | |
| Malaysian Government Treasury | | | | |
| Bills | 189,590 | 24,652 | 189,590 | 16,702 |
| Malaysian Government Securities | 20,030 | 246,604 | 20,030 | 246,604 |
| Other Government Securities | - | - | - | - |
| Bank Negara Malaysia (BNM) | | | | |
| Bills | 488,511 | 69,158 | 395,104 | 49,263 |
| Cagamas Bonds | 158,832 | 742,369 | 143,843 | 742,369 |
| Bankers' Acceptance and Islamic | | | | |
| Accepted bills | 691,121 | 15,312 | 650,564 | 15,312 |
| Negotiable Instruments of Deposit | 426,008 | 2,592,938 | 416,059 | 2,491,756 |
| Khazanah Bond | 34,180 | - | 34,180 | - |
| Foreign Currency Bonds | - | 53,098 | - | 53,098 |
| | <u>2,008,272</u> | <u>3,744,131</u> | <u>1,849,370</u> | <u>3,615,104</u> |
| Quoted securities: | | | | |
| Shares in Malaysia | 39,923 | 38,802 | 39,923 | 38,802 |
| Unquoted securities: | | | | |
| Private Debt Securities | 149,617 | 82,826 | 149,617 | 82,826 |
| Others designated at fair value through P&L | | | | |
| Loan Stock Quoted in Malaysia | 10,504 | 15,755 | 10,504 | 15,755 |
| Total securities held-for-trading | <u><u>2,208,316</u></u> | <u><u>3,881,514</u></u> | <u><u>2,049,414</u></u> | <u><u>3,752,487</u></u> |

9 Securities available-for-sale

| | <u>The Group</u> | | <u>The Bank</u> | |
|---|---|---|---|---|
| | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 |
| At Fair Value | | | | |
| Malaysian Government Investment Certificates | - | 24,615 | - | - |
| HK Government Exchange Fund | 8,964 | 23,562 | 8,964 | 23,562 |
| Government Treasury Bills | 298,279 | 224,115 | 298,279 | 224,115 |
| Malaysian Government Securities | 1,781,553 | 2,764,685 | 1,781,553 | 2,764,685 |
| Cagamas Bonds | 1,009,472 | 1,422,395 | 909,827 | 1,324,036 |
| Foreign Currency Bonds | 64,169 | 1,003,278 | 64,169 | 1,003,278 |
| | <u>3,162,437</u> | <u>5,462,650</u> | <u>3,062,792</u> | <u>5,339,676</u> |
| Quoted Securities: | | | | |
| Shares and Convertible Loan | | | | |
| Stocks | 103,285 | 99,367 | 103,285 | 99,367 |
| Unquoted securities: | | | | |
| Private Debt Securities | 184,279 | 262,115 | 128,315 | 206,565 |
| Total securities available-for-sale | <u>3,450,001</u> | <u>5,824,132</u> | <u>3,294,392</u> | <u>5,645,608</u> |

10 Securities held-to-maturity

| | <u>The Group</u> | | <u>The Bank</u> | |
|--|---|---|---|---|
| | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 |
| At Amortised Cost | | | | |
| Money market instruments: | | | | |
| Malaysian Government Securities | 224,726 | 239,789 | 224,726 | 239,789 |
| Malaysian Government Investment Certificates | 168,469 | 155,866 | 33,327 | 32,658 |
| Cagamas bonds | 275,179 | 440,359 | - | - |
| Foreign currency bonds | 10,588 | 11,039 | 10,589 | 11,039 |
| Negotiable Instruments of Deposit | 4,288,238 | - | 4,288,238 | - |
| Khazanah Bonds | 4,962 | 4,875 | - | - |
| | <u>4,972,162</u> | <u>851,928</u> | <u>4,556,880</u> | <u>283,486</u> |
| Unquoted securities: | | | | |
| Shares | 27,054 | 27,160 | 26,478 | 26,585 |
| Private debt securities | 83,095 | 128,199 | 62,867 | 107,879 |
| Loan Stocks | 20,372 | 22,502 | 20,372 | 22,502 |
| | <u>130,521</u> | <u>177,861</u> | <u>109,717</u> | <u>156,966</u> |
| Total securities held-to-maturity | <u>5,102,683</u> | <u>1,029,789</u> | <u>4,666,597</u> | <u>440,452</u> |

11 Loans, advances and financing

| | <u>The Group</u> | | <u>The Bank</u> | |
|--|---|---|---|---|
| | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 |
| Overdrafts | 2,693,497 | 2,959,945 | 2,686,210 | 2,952,054 |
| Term loans: | | | | |
| - Housing loans/financing | 15,376,946 | 13,687,545 | 13,882,051 | 12,646,072 |
| - Syndicated term loan/financing | 1,707,682 | 1,270,824 | 1,338,635 | 1,270,574 |
| - Hire purchase receivables | 5,865,615 | 6,166,419 | 2,862,820 | 2,823,033 |
| - Lease receivables | 31,962 | 19,450 | - | - |
| - Other term loans/financing | 1,310,099 | 1,601,129 | 1,134,588 | 1,049,224 |
| Credit/charge card receivables | 1,510,785 | 1,204,604 | 1,510,785 | 1,204,604 |
| Bills receivables | 334,633 | 479,948 | 334,633 | 479,948 |
| Trust receipts | 140,987 | 153,710 | 140,987 | 153,710 |
| Claims on customers under acceptance credits | 2,447,912 | 2,478,691 | 2,423,242 | 2,372,172 |
| Block discounting | 24,500 | 19,540 | 22,302 | 16,640 |
| Revolving credits | 685,250 | 635,503 | 685,250 | 635,503 |
| Staff loans: | | | | |
| Directors | - | - | - | - |
| Staffs other than Directors | 116,691 | 117,073 | 116,586 | 116,950 |
| Other loans/financing | 59,185 | 61,966 | 57,897 | 60,575 |
| | <u>32,305,744</u> | <u>30,856,347</u> | <u>27,195,986</u> | <u>25,781,059</u> |
| Unearned interest and income | (1,601,515) | (1,327,429) | (360,883) | (289,477) |
| Gross loans, advances and financing | <u>30,704,229</u> | <u>29,528,918</u> | <u>26,835,103</u> | <u>25,491,582</u> |
| Allowance for bad and doubtful debts and financing: | | | | |
| - General | (452,242) | (436,233) | (394,680) | (376,043) |
| - Specific | (561,621) | (473,817) | (528,965) | (444,432) |
| Net loans, advances and financing | <u><u>29,690,366</u></u> | <u><u>28,618,868</u></u> | <u><u>25,911,458</u></u> | <u><u>24,671,107</u></u> |

11 Loans, advances and financing (continued)

11a By type of customer

| | <u>The Group</u> | | <u>The Bank</u> | |
|---|---|---|---|---|
| | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 |
| Domestic banking institutions | 365 | 148 | 365 | 148 |
| Domestic non-bank financial institutions | 165,749 | 123,561 | 120,115 | 78,340 |
| Domestic business enterprises | | | | |
| - Small and medium enterprises | 3,446,690 | 3,746,882 | 3,137,722 | 3,437,602 |
| - Others | 5,871,081 | 5,776,117 | 5,313,298 | 5,100,581 |
| Government and statutory bodies | 108,307 | 114,638 | 108,307 | 114,638 |
| Individuals | 20,289,381 | 18,809,221 | 17,362,835 | 15,823,765 |
| Other domestic entities | 30,980 | 29,113 | 29,378 | 28,060 |
| Foreign entities | 791,676 | 929,238 | 763,083 | 908,448 |
| Gross loans, advances and financing | <u>30,704,229</u> | <u>29,528,918</u> | <u>26,835,103</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> | |
|-------------------------------------|---|---|---|---|
| | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 |
| Fixed rate | | | | |
| - Housing loans/financing | 3,686,853 | 3,665,259 | 3,035,231 | 3,157,071 |
| - Hire purchase receivables | 5,058,391 | 5,476,042 | 2,418,083 | 2,541,057 |
| - Other fixed rate loan/financing | 2,177,823 | 1,871,034 | 1,837,687 | 1,489,868 |
| Variable rate | | | | |
| - Base lending rate plus | 16,521,264 | 15,195,330 | 16,289,191 | 15,092,088 |
| - Cost plus | 3,194,806 | 3,223,618 | 3,191,569 | 3,117,091 |
| - Other variables rates | 65,092 | 97,635 | 63,342 | 94,407 |
| Gross loans, advances and financing | <u>30,704,229</u> | <u>29,528,918</u> | <u>26,835,103</u> | <u>25,491,582</u> |

11 Loans, advances and financing (continued)

11c By economic sector

| | <u>The Group</u> | | <u>The Bank</u> | |
|---|---|---|---|---|
| | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 |
| Agriculture | 334,764 | 310,643 | 256,291 | 229,981 |
| Mining and quarrying | 28,893 | 37,146 | 25,690 | 33,565 |
| Manufacturing | 2,272,687 | 2,531,467 | 2,112,054 | 2,359,264 |
| Electricity, gas and water | 18,199 | 22,640 | 11,288 | 14,289 |
| Construction | 574,980 | 643,895 | 509,205 | 565,368 |
| Real estate | 396,433 | 387,432 | 360,581 | 347,096 |
| Purchase of landed properties (of which:- residential) | 11,410,622 | 10,448,532 | 10,781,818 | 9,965,150 |
| - non-residential) | 3,741,115 | 3,354,428 | 3,605,905 | 3,252,766 |
| General commerce | 2,186,786 | 2,108,620 | 2,006,554 | 1,935,744 |
| Transport, storage and communication | 375,950 | 307,911 | 249,684 | 234,414 |
| Finance, insurance and business services | 589,431 | 669,818 | 514,848 | 483,486 |
| Purchase of securities | 594,589 | 703,516 | 591,713 | 699,941 |
| Purchase of transport vehicles | 4,455,281 | 4,703,448 | 2,169,098 | 2,136,029 |
| Consumption credit | 3,207,542 | 2,548,124 | 3,163,168 | 2,530,734 |
| Others | 516,957 | 751,298 | 477,206 | 703,755 |
| Gross loans, advances and financing | 30,704,229 | 29,528,918 | 26,835,103 | 25,491,582 |

11 Loans, advances and financing (continued)

11d Non-performing loans by sector

| | <u>The Group</u> | | <u>The Bank</u> | |
|---|---|---|---|---|
| | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 |
| Agriculture | 2,021 | 4,405 | 1,931 | 4,319 |
| Mining and quarrying | 4,814 | 4,294 | 4,814 | 4,294 |
| Manufacturing | 180,076 | 178,329 | 176,729 | 175,393 |
| Electricity, gas and water | 131 | 280 | 47 | 162 |
| Construction | 89,429 | 107,267 | 88,343 | 106,729 |
| Real estate | 98,802 | 93,646 | 98,765 | 92,961 |
| Purchase of landed properties (of which:- residential) | 353,336 | 337,276 | 328,049 | 312,551 |
| - non-residential) | 138,781 | 160,412 | 129,255 | 147,368 |
| General commerce | 86,266 | 96,046 | 84,506 | 94,206 |
| Transport, storage and communication | 27,695 | 26,788 | 27,348 | 26,507 |
| Finance, insurance and business services | 113,467 | 123,336 | 112,663 | 122,374 |
| Purchase of securities | 23,558 | 33,461 | 21,789 | 31,119 |
| Purchase of transport vehicles | 119,898 | 107,102 | 80,571 | 77,355 |
| Consumption credit | 80,976 | 71,278 | 80,433 | 70,717 |
| Others | 20,369 | 38,063 | 20,168 | 37,909 |
| | 1,339,619 | 1,381,983 | 1,255,411 | 1,303,964 |

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 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 |
| At beginning | 1,381,983 | 1,657,683 | 1,303,964 | 1,651,770 |
| Non-performing during the period/year | 1,555,564 | 3,251,908 | 1,422,557 | 3,011,306 |
| Reclassified as performing | (1,311,195) | (2,757,428) | (1,204,442) | (2,561,509) |
| Amount written back in respect of recoveries | (250,763) | (481,955) | (230,698) | (447,873) |
| Amount written off | (35,206) | (289,746) | (35,206) | (280,814) |
| Amount vested to HLIB* | - | - | - | (70,437) |
| Exchange differences | (764) | 1,521 | (764) | 1,521 |
| Closing balance | 1,339,619 | 1,381,983 | 1,255,411 | 1,303,964 |
| Specific allowance | (561,621) | (473,817) | (528,965) | (444,432) |
| Net non-performing loans, advances and financing | <u>777,998</u> | <u>908,166</u> | <u>726,446</u> | <u>859,532</u> |
| Net NPL as a % of gross loans, advances and financing less specific allowance | <u>2.6%</u> | <u>3.1%</u> | <u>2.8%</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> | |
|---|---|---|---|---|
| | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 |
| <u>General Allowance</u> | | | | |
| At beginning | 436,233 | 412,877 | 376,043 | 412,817 |
| Net provisions made during the year | 16,042 | 23,057 | 18,670 | 17,936 |
| Amount vested to HLIB* | - | - | - | (55,009) |
| Exchange differences | (33) | 299 | (33) | 299 |
| Closing balance | <u>452,242</u> | <u>436,233</u> | <u>394,680</u> | <u>376,043</u> |
| As a % 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 | 173,776 | 386,511 | 160,872 | 359,349 |
| Amount written back in respect of recoveries | (50,453) | (89,250) | (40,820) | (81,767) |
| Amount written off | (35,206) | (289,746) | (35,206) | (280,814) |
| Amount transferred to provision for diminution in value | - | - | - | - |
| Amount vested to HLIB* | - | - | - | (13,063) |
| Exchange differences | (313) | 1,048 | (313) | 1,048 |
| Closing balance | <u>561,621</u> | <u>473,817</u> | <u>528,965</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 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 |
| Interest/Income receivable | 194,438 | 179,322 | 185,053 | 167,026 |
| Other debtors, deposits and prepayments | 216,427 | 206,150 | 206,010 | 193,809 |
| Foreclosed properties | 3,009 | 3,009 | 3,009 | 3,009 |
| | <u>413,874</u> | <u>388,481</u> | <u>394,072</u> | <u>363,844</u> |

13 Deposits from customers

| | <u>The Group</u> | | <u>The Bank</u> | |
|---------------------------------|--|--|--|--|
| | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 |
| <u>By type of customer</u> | | | | |
| Government and statutory bodies | 421,262 | 650,612 | 158,822 | 215,657 |
| Business enterprises | 17,952,430 | 14,670,010 | 14,904,247 | 11,582,262 |
| Individuals | 28,996,107 | 27,055,017 | 27,907,480 | 26,129,670 |
| Others | 1,761,996 | 1,900,483 | 870,663 | 1,131,359 |
| | <u>49,131,795</u> | <u>44,276,122</u> | <u>43,841,212</u> | <u>39,058,948</u> |

14 Deposits and placements of banks and other financial institution

| | <u>The Group</u> | | <u>The Bank</u> | |
|------------------------------|--|--|--|--|
| | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 |
| Licensed banks | 1,840,013 | 2,494,760 | 1,714,721 | 2,359,759 |
| Other financial institutions | 160,000 | 301,500 | 100,000 | 301,500 |
| | <u>2,000,013</u> | <u>2,796,260</u> | <u>1,814,721</u> | <u>2,661,259</u> |

15 Other liabilities

| | <u>The Group</u> | | <u>The Bank</u> | |
|--|--|--|--|--|
| | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 |
| Interest/Profit payable | 320,252 | 311,173 | 291,739 | 278,153 |
| Zakat | 62 | 44 | - | - |
| Post employment benefits obligation | | | | |
| - defined contribution plan | 3,440 | 3,443 | 3,440 | 3,443 |
| Loan advance payment | 260,407 | 190,450 | 252,072 | 187,943 |
| Amount due to subsidiary companies | - | - | 42,590 | 49,725 |
| Others | 522,049 | 429,596 | 476,449 | 415,787 |
| | <u>1,106,210</u> | <u>934,706</u> | <u>1,066,290</u> | <u>935,051</u> |

16 Interest income

| | 2nd Quarter Ended | | Cumulative Six Months Ended | |
|--|-----------------------|-----------------------|-----------------------------|-------------------------|
| | 31/12/2006 | 31/12/2005 | 31/12/2006 | 31/12/2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Group | | | | |
| Loan, advances and financing | | | | |
| - Interest income other than recoveries from NPLs | 357,453 | 296,492 | 701,177 | 584,482 |
| - Recoveries from NPLs | 34,346 | 39,578 | 76,132 | 83,858 |
| Money at call and deposit placements with financial institutions | 182,695 | 93,407 | 312,668 | 189,004 |
| Securities purchased under resale agreements | 21,390 | 54,833 | 60,644 | 126,966 |
| Securities held-for-trading | 40,670 | 32,659 | 99,553 | 56,525 |
| Securities available-for-sale | 42,129 | 56,259 | 96,127 | 90,092 |
| Securities held-to-maturity | 27,507 | 6,786 | 34,871 | 14,752 |
| Others | 2,821 | (701) | 5,371 | 6,164 |
| | <u>709,011</u> | <u>579,313</u> | <u>1,386,543</u> | <u>1,151,843</u> |
| Amortisation of premium less accretion of discount | (3,707) | (7,424) | (11,716) | (10,457) |
| Interest suspended | (1,604) | (5,302) | (4,309) | (9,310) |
| | <u><u>703,700</u></u> | <u><u>566,587</u></u> | <u><u>1,370,518</u></u> | <u><u>1,132,076</u></u> |

16 Interest income (continued)

| | 2nd Quarter Ended | | Cumulative Six Months Ended | |
|--|----------------------|----------------------|-----------------------------|----------------------|
| | 31/12/2006 RM'000 | 31/12/2005 RM'000 | 31/12/2006 RM'000 | 31/12/2005 RM'000 |
| Bank | | | | |
| Loan, advances and financing | | | | |
| - Interest income other than recoveries from NPLs | 357,455 | 296,931 | 701,130 | 584,344 |
| - Recoveries from NPLs | 34,345 | 39,592 | 76,125 | 83,858 |
| Money at call and deposit placements with financial institutions | 187,089 | 101,462 | 321,738 | 201,713 |
| Securities purchased under resale agreements | 21,390 | 54,833 | 60,644 | 126,966 |
| Securities held-for-trading | 40,670 | 32,659 | 99,553 | 56,525 |
| Securities available-for-sale | 42,129 | 56,259 | 96,127 | 90,092 |
| Securities held-to-maturity | 27,507 | 6,786 | 34,871 | 14,752 |
| Others | 2,820 | (701) | 5,371 | 6,164 |
| | <u>713,405</u> | <u>587,821</u> | <u>1,395,559</u> | <u>1,164,414</u> |
| Amortisation of premium less accretion of discount | (3,706) | (7,424) | (11,716) | (10,457) |
| Interest suspended | (1,456) | (5,779) | (4,163) | (9,310) |
| | <u>708,243</u> | <u>574,618</u> | <u>1,379,680</u> | <u>1,144,647</u> |

17 Interest expense

| | 2nd Quarter Ended | | Cumulative Six Months Ended | |
|---|-------------------|----------------|-----------------------------|----------------|
| | 31/12/2006 | 31/12/2005 | 31/12/2006 | 31/12/2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Group | | | | |
| Deposits and placements of banks and other financial institutions | 86,447 | 70,371 | 174,265 | 146,655 |
| Deposits from customers | 317,294 | 253,813 | 589,430 | 498,929 |
| Subordinated bonds | 8,898 | 9,854 | 18,462 | 16,401 |
| Others | 3,203 | 240 | 3,203 | 502 |
| | <u>415,842</u> | <u>334,278</u> | <u>785,360</u> | <u>662,487</u> |

| | 2nd Quarter Ended | | Cumulative Six Months Ended | |
|---|-------------------|----------------|-----------------------------|----------------|
| | 31/12/2006 | 31/12/2005 | 31/12/2006 | 31/12/2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Bank | | | | |
| Deposits and placements of banks and other financial institutions | 90,843 | 78,426 | 183,335 | 159,445 |
| Deposits from customers | 317,691 | 253,979 | 589,910 | 499,095 |
| Subordinated bonds | 8,898 | 9,854 | 18,462 | 16,401 |
| Others | 3,203 | 240 | 3,203 | 502 |
| | <u>420,635</u> | <u>342,499</u> | <u>794,910</u> | <u>675,443</u> |

18 Other operating income

| <u>Group</u> | 2nd Quarter Ended | | Cumulative Six Months Ended | |
|---|-------------------|---------------|-----------------------------|----------------|
| | 31/12/2006 | 31/12/2005 | 31/12/2006 | 31/12/2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| (a) <u>Fee income:</u> | | | | |
| Commissions | 25,631 | 18,520 | 45,968 | 36,656 |
| Service charges and fees | 17,750 | 7,293 | 25,775 | 13,996 |
| Guarantee fees | 1,470 | 1,372 | 2,917 | 3,086 |
| Other fee income | 32,876 | 33,070 | 69,181 | 72,386 |
| | <u>77,727</u> | <u>60,255</u> | <u>143,841</u> | <u>126,124</u> |
| (b) <u>Gain/loss arising from sale of securities:</u> | | | | |
| Net gain from sale of securities held-for-trading | 4,598 | 3,987 | 14,593 | 8,426 |
| Net gain from sale of securities available-for-sale | 5,345 | 1,125 | 29,328 | 8,172 |
| Net gain from redemption of securities held-to-maturity | 957 | - | 947 | 4,042 |
| | <u>10,900</u> | <u>5,112</u> | <u>44,868</u> | <u>20,640</u> |
| (c) <u>Gross dividend income from:</u> | | | | |
| Subsidiary companies | - | - | - | - |
| Securities held at fair value through profit or loss | 242 | 156 | 736 | 290 |
| Securities available-for-sale | 427 | 660 | 1,083 | 745 |
| Securities held to maturity | 324 | 741 | 324 | 741 |
| | <u>993</u> | <u>1,557</u> | <u>2,143</u> | <u>1,776</u> |

18 Other operating income (continued)

| | 2nd Quarter Ended | | Cumulative Six Months Ended | |
|--|----------------------|----------------------|-----------------------------|----------------------|
| | 31/12/2006 RM'000 | 31/12/2005 RM'000 | 31/12/2006 RM'000 | 31/12/2005 RM'000 |
| (d) <u>Unrealised losses on revaluation of securities held-for-trading and derivatives</u> | (10,193) | 5,409 | (40,429) | 2,044 |
| (e) <u>Other income:</u> | | | | |
| Foreign exchange gain | 35,644 | 10,672 | 47,738 | 31,635 |
| Rental income | 52 | 92 | 160 | 148 |
| Gain on disposal of property and equipment (net) | - | 95 | 407 | 265 |
| Profit from Takaful investments | - | - | - | - |
| Others | 3,196 | 2,342 | 7,872 | 5,511 |
| | <u>38,892</u> | <u>13,201</u> | <u>56,177</u> | <u>37,559</u> |
| Total other operating income | <u>118,319</u> | <u>85,534</u> | <u>206,600</u> | <u>188,143</u> |

18 Other operating income

| | 2nd Quarter Ended | | Cumulative Six Months Ended | |
|---|-------------------|---------------|-----------------------------|----------------|
| | 31/12/2006 | 31/12/2005 | 31/12/2006 | 31/12/2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Bank | | | | |
| (a) Fee income: | | | | |
| Commissions | 25,631 | 18,520 | 45,967 | 36,656 |
| Service charges and fees | 17,750 | 7,293 | 25,775 | 13,996 |
| Guarantee fees | 1,470 | 1,372 | 2,917 | 3,086 |
| Other fee income | 32,905 | 33,095 | 69,210 | 72,411 |
| | <u>77,756</u> | <u>60,280</u> | <u>143,869</u> | <u>126,149</u> |
| (b) Gain/loss arising from sale of securities: | | | | |
| Net gain from sale of securities held-for-trading | 4,598 | 3,987 | 14,593 | 8,426 |
| Net gain from sale of securities available-for-sale | 5,345 | 1,125 | 29,328 | 8,172 |
| Net gain from redemption of securities held-to-maturity | 957 | - | 947 | 4,042 |
| | <u>10,900</u> | <u>5,112</u> | <u>44,868</u> | <u>20,640</u> |
| (c) Gross dividend income from: | | | | |
| Subsidiary companies | - | - | - | - |
| Securities held-for-trading | 242 | 156 | 736 | 290 |
| Securities available-for-sale | 427 | 660 | 1,083 | 745 |
| Securities held to maturity | 324 | 741 | 324 | 741 |
| | <u>993</u> | <u>1,557</u> | <u>2,143</u> | <u>1,776</u> |

18 Other operating income (continued)

| | 2nd Quarter Ended | | Cumulative Six Months Ended | |
|--|-------------------|---------------|-----------------------------|----------------|
| | 31/12/2006 | 31/12/2005 | 31/12/2006 | 31/12/2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| (d) <u>Unrealised losses on revaluation of securities held-for-trading and derivatives</u> | (10,193) | 5,409 | (40,429) | 2,044 |
| (e) <u>Other income:</u> | | | | |
| Foreign exchange gain | 35,644 | 10,672 | 47,738 | 31,635 |
| Rental income | 52 | 91 | 160 | 148 |
| Gain on disposal of property and equipment (net) | - | 95 | 407 | 265 |
| Others | 2,811 | 2,294 | 7,487 | 5,027 |
| | <u>38,507</u> | <u>13,152</u> | <u>55,792</u> | <u>37,075</u> |
| Total other operating income | <u>117,963</u> | <u>85,510</u> | <u>206,243</u> | <u>187,684</u> |

19 Other operating expenses

| <u>Group</u> | 2nd Quarter Ended | | Cumulative Six Months Ended | |
|--|-------------------|----------------|-----------------------------|----------------|
| | 31/12/2006 | 31/12/2005 | 31/12/2006 | 31/12/2005 |
| | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| <u>Personnel costs</u> | | | | |
| - Salaries, allowances and bonuses | 81,304 | 67,847 | 158,967 | 136,138 |
| - Others | 7,559 | 5,052 | 13,438 | 9,521 |
| <u>Establishment costs</u> | | | | |
| - Depreciation | 13,961 | 13,926 | 27,915 | 27,704 |
| - Rental | 9,292 | 8,917 | 18,420 | 17,213 |
| - Information technology expenses | 10,264 | 7,650 | 17,597 | 15,187 |
| - Others | 8,588 | 7,804 | 17,360 | 15,503 |
| <u>Marketing expenses</u> | | | | |
| - Advertisement and publicity | 7,789 | 9,610 | 16,501 | 17,659 |
| - Handling fees | 3,554 | 4,797 | 6,851 | 10,315 |
| - Others | 10,746 | 5,543 | 20,437 | 10,686 |
| <u>Administration and general expenses</u> | | | | |
| - Teletransmission expenses | 2,400 | 1,748 | 4,539 | 3,838 |
| - Stationery & printing | 3,537 | 4,523 | 6,901 | 7,864 |
| - Others | 16,259 | 15,254 | 36,438 | 30,177 |
| | <u>175,253</u> | <u>152,671</u> | <u>345,364</u> | <u>301,805</u> |

19 Other operating expenses (continued)

| | 2nd Quarter Ended | | Cumulative Six Months Ended | |
|---|-------------------|----------------|-----------------------------|----------------|
| | 31/12/2006 | 31/12/2005 | 31/12/2006 | 31/12/2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Bank</u> | | | | |
| <u>Personnel costs</u> | | | | |
| - Salaries, allowances and bonuses | 72,712 | 58,700 | 141,832 | 118,417 |
| - Others | 5,833 | 4,263 | 10,997 | 8,114 |
| <u>Establishment costs</u> | | | | |
| - Depreciation | 13,832 | 13,866 | 27,654 | 27,609 |
| - Rental | 8,670 | 7,925 | 17,006 | 15,335 |
| - Information technology expenses | 9,646 | 6,808 | 16,271 | 13,573 |
| - Others | 7,055 | 5,176 | 13,254 | 10,537 |
| <u>Marketing expenses</u> | | | | |
| - Advertisement and publicity | 7,289 | 8,351 | 14,927 | 14,689 |
| - Handling fees | 3,464 | 1,771 | 4,672 | 4,161 |
| - Others | 10,597 | 5,311 | 20,014 | 10,258 |
| <u>Administration and general expenses</u> | | | | |
| - Teletransmission expenses | 2,393 | 1,673 | 4,280 | 3,489 |
| - Stationery & printing | 3,507 | 4,071 | 6,645 | 7,134 |
| - Others | 16,521 | 13,677 | 35,321 | 27,164 |
| | <u>161,519</u> | <u>131,592</u> | <u>312,873</u> | <u>260,480</u> |

20 Allowance for losses on loans, advances and financing

| | 2nd Quarter Ended | | Cumulative Six Months Ended | |
|---|-------------------|---------------|-----------------------------|----------------|
| | 31/12/2006 | 31/12/2005 | 31/12/2006 | 31/12/2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Group | | | | |
| Allowance for bad and doubtful debts and financing: | | | | |
| - general allowance (net) | 10,573 | 14,080 | 16,042 | (2,314) |
| - specific allowance | 83,404 | 94,289 | 173,776 | 180,091 |
| - specific allowance written back | (26,567) | (19,475) | (50,453) | (41,033) |
| Bad debts and financing written off | 1,696 | 1,998 | 3,502 | 4,195 |
| Bad debts and financing recovery | (19,997) | (18,265) | (40,518) | (38,304) |
| | <u>49,109</u> | <u>72,627</u> | <u>102,349</u> | <u>102,635</u> |

| | 2nd Quarter Ended | | Cumulative Six Months Ended | |
|---|-------------------|---------------|-----------------------------|---------------|
| | 31/12/2006 | 31/12/2005 | 31/12/2006 | 31/12/2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Bank | | | | |
| Allowance for bad and doubtful debts and financing: | | | | |
| - general allowance (net) | 12,221 | 11,871 | 18,670 | (4,331) |
| - specific allowance | 77,799 | 87,843 | 160,872 | 169,169 |
| - specific allowance written back | (24,626) | (17,799) | (40,820) | (37,750) |
| Bad debts and financing written off | 1,636 | 1,875 | 3,363 | 3,908 |
| Bad debts and financing recovery | (18,850) | (17,329) | (38,549) | (36,402) |
| | <u>48,180</u> | <u>66,461</u> | <u>103,536</u> | <u>94,594</u> |

21 Capital adequacy

| | <u>The Group</u> | | <u>The Bank</u> | |
|---|---------------------------------------|-------------------------------------|---------------------------------------|-------------------------------------|
| | Financial Period Ended | Financial Year Ended | Financial Period Ended | Financial Year Ended |
| | 31/12/2006 RM'000 | 30/06/2006 RM'000 | 31/12/2006 RM'000 | 30/06/2006 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 | 1,262,047 | 1,170,005 | 1,222,429 | 1,144,159 |
| Other reserves | 1,709,238 | 1,661,766 | 1,674,585 | 1,640,218 |
| Less: Treasury shares | (623,425) | (491,025) | (623,425) | (491,025) |
| Less: Deferred tax | (156,711) | (173,301) | (138,899) | (154,238) |
| Add: Minority interest | 44,520 | - | - | - |
| Total tier-1 capital | 4,355,440 | 4,287,216 | 4,254,461 | 4,258,885 |
| Tier-2 capital | | | | |
| General provision | 452,210 | 436,233 | 394,680 | 376,043 |
| Subordinated bonds | 705,400 | 734,900 | 705,400 | 734,900 |
| Total tier-2 capital | 1,157,610 | 1,171,133 | 1,100,080 | 1,110,943 |
| Total capital | 5,513,050 | 5,458,349 | 5,354,541 | 5,369,828 |
| Less: Investment in subsidiary companies | - | - | (577,041) | (522,041) |
| Total capital base | 5,513,050 | 5,458,349 | 4,777,500 | 4,847,787 |
| <u>Before deducting proposed dividends</u> | | | | |
| Core Capital Ratio | 14.06% | 13.76% | 15.62% | 15.78% |
| Risk-weighted Capital Ratio | 17.80% | 17.52% | 17.54% | 17.96% |
| <u>After deducting proposed dividends</u> | | | | |
| Core Capital Ratio | 13.75% | 13.24% | 15.27% | 15.18% |
| Risk-weighted Capital Ratio | 17.49% | 17.00% | 17.19% | 17.37% |

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**

Financial period ended 31/12/2006

| | Personal Financial Services RM'000 | Corporate & Commercial RM'000 | Treasury RM'000 | Takaful Business RM'000 | Total RM'000 |
|--|---|--|----------------------------|--|-------------------------|
| <u>By business segment</u> | | | | | |
| External revenue | 339,414 | 178,185 | 340,946 | - | 858,545 |
| Inter-segment revenue | 250,608 | (40,562) | (210,046) | - | - |
| Segment revenue | <u>590,022</u> | <u>137,623</u> | <u>130,900</u> | <u>-</u> | <u>858,545</u> |
| Segment profit before taxation | 259,733 | 61,415 | 90,749 | (1,065) | 410,832 |
| Taxation and zakat | | | | | (111,388) |
| Minority interest | | | | | 480 |
| Profit after taxation & Minority interest | | | | | <u>299,924</u> |
| Segment assets | 199,970,272 | (170,094,991) | 34,625,481 | 103,514 | 64,604,276 |
| Unallocated assets | | | | | 1,895,080 |
| Total assets | | | | | <u>66,499,356</u> |

Financial period ended 31/12/2005

| | Personal Financial Services RM'000 | Corporate & Commercial RM'000 | Treasury RM'000 | Takaful Business RM'000 | Total RM'000 |
|-----------------------------------|---|--|----------------------------|--|-------------------------|
| <u>By business segment</u> | | | | | |
| External revenue | 203,677 | 180,952 | 356,405 | - | 741,034 |
| Inter-segment revenue | 285,937 | (37,092) | (248,845) | - | - |
| Segment revenue | <u>489,614</u> | <u>143,860</u> | <u>107,560</u> | <u>-</u> | <u>741,034</u> |
| Segment profit before taxation | 186,622 | 66,232 | 80,701 | - | 333,555 |
| Taxation and zakat | | | | | (93,155) |
| Profit after taxation | | | | | <u>240,400</u> |
| Segment assets | 20,656,566 | 6,484,664 | 31,898,562 | - | 59,039,792 |
| Unallocated assets | | | | | 1,642,466 |
| Total assets | | | | | <u>60,682,258</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 31 December 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 December 2006 except for the follow:-

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 31/12/2006 | | | 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 |
| The Group | | | | | | |
| Direct credit substitutes | 176,679 | 176,679 | 176,679 | 190,074 | 190,074 | 190,074 |
| Transaction-related contingent items | 282,511 | 141,256 | 141,256 | 242,907 | 121,453 | 121,453 |
| Short-term self liquidating trade-related contingencies | 920,174 | 184,035 | 184,035 | 633,426 | 126,685 | 126,685 |
| Other assets sold with resource and commitment | 65,658 | 65,658 | 65,658 | 31,987 | 31,987 | 31,987 |
| Irrevocable commitments to extend credit: | | | | | | |
| - maturity more than 1 year | 4,153,750 | 2,076,876 | 2,076,876 | 4,257,875 | 2,128,938 | 2,128,938 |
| - maturity less than 1 year | 11,574,304 | - | - | 10,943,047 | - | - |
| Foreign exchange related contracts | 12,310,873 | 288,158 | 29,963 | 8,666,574 | 259,954 | 129,977 |
| Interest rate related contracts | 30,872,312 | 278,568 | - | 23,109,340 | 277,279 | 138,640 |
| Equity related contracts | 50,185 | 921 | - | 8,288 | 415 | 208 |
| Miscellaneous | 429 | - | - | 418 | - | - |
| Total | 60,406,875 | 3,212,151 | 2,674,467 | 48,083,936 | 3,136,785 | 2,867,961 |

25 Commitments and contingencies (continued)

| | Financial Period Ended 31/12/2006 | | | 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 |
| The Bank | | | | | | |
| Direct credit substitutes | 176,679 | 176,679 | 176,679 | 190,074 | 190,074 | 190,074 |
| Transaction-related contingent items | 282,403 | 141,202 | 141,202 | 242,669 | 121,334 | 121,334 |
| Short-term self liquidating trade-related contingencies | 912,275 | 182,455 | 182,455 | 627,655 | 125,531 | 125,531 |
| Irrevocable commitments to extend credit: | | | | | | |
| - maturity more than 1 year | 3,827,453 | 1,913,727 | 1,913,727 | 3,883,289 | 1,941,645 | 1,941,645 |
| - maturity less than 1 year | 11,558,449 | - | - | 10,929,166 | - | - |
| Foreign exchange related contracts | 12,309,978 | 288,144 | 29,938 | 8,665,667 | 259,954 | 129,977 |
| Interest rate related contracts | 30,872,312 | 278,568 | 25 | 23,109,340 | 277,279 | 138,640 |
| Equity related contracts | 50,185 | 921 | 921 | 8,288 | 415 | 208 |
| Miscellaneous | 429 | - | - | 419 | - | - |
| Total | 59,990,163 | 2,981,696 | 2,444,947 | 47,656,567 | 2,916,232 | 2,647,408 |

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 31 December 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 | Over 5 years RM'000 | | | | |
| Assets | | | | | | | | | | |
| Cash and short term funds | 8,699,727 | - | - | - | - | 481,273 | - | 9,181,000 | 3.8 | |
| Deposits & placement with banks & other financial instrument | 1,845,061 | 10,639,143 | 1,583,408 | - | - | - | - | 14,067,612 | 3.8 | |
| Securities purchased resale agreement | 510,326 | 243,736 | 233,405 | - | - | - | - | 987,467 | 3.8 | |
| Securities held at fair value through profit and loss | - | - | - | - | - | - | 2,208,316 | 2,208,316 | 4.0 | |
| Securities available-for-sale | 196,484 | 229,247 | 378,440 | 2,522,792 | 85,024 | 38,014 | - | 3,450,001 | 4.4 | |
| Securities held-to-maturity | 1,323,095 | 2,570,230 | 880,886 | 300,279 | 11,890 | 16,303 | - | 5,102,683 | 4.8 | |
| Loans, advances and financing | | | | | | | | | | |
| - performing | 22,052,300 | 1,161,814 | 716,638 | 1,863,001 | 3,570,857 | (440,572) | - | 28,924,038 | 6.6 | |
| - non-performing | - | - | - | - | - | 766,328 | - | 766,328 | - | |
| Other assets | - | - | - | - | - | 413,874 | - | 413,874 | - | |
| Statutory deposits with BNM | - | - | - | - | - | 960,119 | - | 960,119 | - | |
| Investment in subsidiary | - | - | - | - | - | - | - | - | - | |
| Property, plant and equipment | - | - | - | - | - | 279,992 | - | 279,992 | - | |
| Deferred tax assets | - | - | - | - | - | 156,711 | - | 156,711 | - | |
| General and Family Takaful fund assets | - | - | - | - | - | 1,215 | - | 1,215 | - | |
| Total assets | 34,626,993 | 14,844,170 | 3,792,777 | 4,686,072 | 3,667,771 | 2,673,257 | 2,208,316 | 66,499,356 | | |
| Liabilities | | | | | | | | | | |
| Deposits from customers | 22,052,696 | 8,718,796 | 13,150,208 | 767,473 | - | 4,442,622 | - | 49,131,795 | 2.9 | |
| Deposits & placement of banks & other financial institutions | 1,838,579 | 90,575 | 70,575 | - | - | 284 | - | 2,000,013 | 3.7 | |
| Obligations on securities sold under repurchase agreements | 7,614,229 | 322,454 | - | - | - | - | - | 7,936,683 | 3.3 | |
| Bills and acceptance payable | 79,415 | 34,425 | 5,318 | - | - | 390,019 | - | 509,177 | 3.8 | |
| Floating rate certificate of deposits | - | - | - | - | - | - | - | - | - | |
| Other liabilities | - | - | - | - | - | 1,106,210 | - | 1,106,210 | - | |
| Subordinated obligations | - | - | - | - | 696,446 | - | - | 696,446 | 5.2 | |
| Short term syndicated loan | - | - | - | 529,050 | - | - | - | 529,050 | 5.8 | |
| Provision for taxation | - | - | - | - | - | 90,590 | - | 90,590 | - | |
| General and Family Takaful fund liabilities | - | - | - | - | - | 1,212 | - | 1,212 | - | |
| General and Family Takaful fund policyholders' fund | - | - | - | - | - | 3 | - | 3 | - | |
| Total liabilities | 31,584,919 | 9,166,250 | 13,226,101 | 1,296,523 | 696,446 | 6,030,940 | - | 62,001,179 | | |
| Shareholders funds | - | - | - | - | - | 4,453,657 | - | 4,453,657 | | |
| Minority interest | - | - | - | - | - | 44,520 | - | 44,520 | | |
| Total liabilities and Shareholders' funds | 31,584,919 | 9,166,250 | 13,226,101 | 1,296,523 | 696,446 | 10,529,117 | - | 66,499,356 | | |
| On-balance sheet profit sensitivity gap | 3,042,074 | 5,677,920 | (9,433,324) | 3,389,549 | 2,971,325 | | | | | |
| Off-balance sheet profit sensitivity gap | (548,350) | (2,027,041) | (6,380,000) | (7,492,059) | (334,550) | | | | | |
| Total profit sensitivity gap | 2,493,724 | 3,650,879 | (15,813,324) | (4,102,510) | 2,636,775 | | | | | |

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 | | | | |
| Assets | | | | | | | | | |
| Cash and short term funds | 12,690,102 | - | - | - | - | 874,913 | - | 13,565,015 | 3.7 |
| Deposits & placement with banks & other financial instrument | - | 1,045,823 | 365,454 | 73,535 | - | - | - | 1,484,812 | 3.9 |
| Securities purchased resale agreement | 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 BNM | - | - | - | - | - | 881,524 | - | 881,524 | - |
| Tax recoverable | - | - | - | - | - | - | - | - | - |
| Property, plant and equipment | - | - | - | - | - | 252,000 | - | 252,000 | - |
| Deferred tax assets | - | - | - | - | - | 173,301 | - | 173,301 | - |
| Total assets | 31,630,242 | 4,338,491 | 2,175,899 | 9,362,360 | 6,009,749 | 3,197,995 | 3,881,514 | 60,596,250 | |
| Liabilities | | | | | | | | | |
| 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 obligations | - | - | - | - | 704,049 | - | - | 704,049 | 5.3 |
| Provision for taxation | - | - | - | - | - | 85,596 | - | 85,596 | - |
| Total liabilities | 29,984,275 | 8,078,279 | 11,236,500 | 636,147 | 704,049 | 5,576,091 | - | 56,215,341 | |
| Shareholders funds | | | | | | 4,380,909 | | 4,380,909 | |
| Total liabilities and Shareholders' funds | 29,984,275 | 8,078,279 | 11,236,500 | 636,147 | 704,049 | 9,957,000 | - | 60,596,250 | |
| On-balance sheet profit sensitivity gap | 1,645,967 | (3,739,788) | (9,060,601) | 8,726,213 | 5,305,700 | | | | |
| Off-balance sheet profit sensitivity gap | (665,000) | (2,925,193) | (4,289,000) | (4,364,107) | (340,700) | | | | |
| Total profit scnsitivity gap | 980,967 | (6,664,981) | (13,349,601) | 4,362,106 | 4,965,000 | | | | |

27 c) Interest/Profit rate risk

| Bank As at 31 December 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 | Over 5 years RM'000 | | | | |
| Assets | | | | | | | | | | |
| Cash and short term funds | 7,537,585 | - | - | - | - | 491,003 | - | 8,028,588 | 3.8 | |
| Deposits & placement with banks & other financial instrument | 1,845,061 | 10,269,143 | 1,583,408 | - | - | - | - | 13,697,612 | 3.8 | |
| Securities purchased resale agreement | 510,326 | 243,736 | 233,405 | - | - | - | - | 987,467 | 3.7 | |
| Securities held at fair value through profit and loss | - | - | - | - | - | - | 2,049,414 | 2,049,414 | 4.0 | |
| Securities available-for-sale | 196,484 | 219,118 | 378,440 | 2,411,783 | 50,024 | 38,543 | - | 3,294,392 | 4.4 | |
| Securities held-to-maturity | 1,323,095 | 2,565,268 | 605,407 | 155,450 | 11,890 | 5,487 | - | 4,666,597 | 5.8 | |
| Loans, advances and financing | | | | | | | | | | |
| - performing | 18,267,697 | 1,161,712 | 716,638 | 1,863,001 | 3,570,857 | (383,996) | - | 25,195,909 | 6.7 | |
| - non-performing | - | - | - | - | - | 715,549 | - | 715,549 | - | |
| Other assets | - | - | - | - | - | 394,072 | - | 394,072 | - | |
| Statutory deposits with BNM | - | - | - | - | - | 815,995 | - | 815,995 | - | |
| Investment in subsidiary | - | - | - | - | - | 577,041 | - | 577,041 | - | |
| Property, plant and equipment | - | - | - | - | - | 259,696 | - | 259,696 | - | |
| Deferred tax assets | - | - | - | - | - | 138,899 | - | 138,899 | - | |
| Total assets | 29,680,248 | 14,458,977 | 3,517,298 | 4,430,234 | 3,632,771 | 3,052,289 | 2,049,414 | 60,821,231 | | |
| Liabilities | | | | | | | | | | |
| Deposits from customers | 18,396,790 | 8,309,391 | 12,060,276 | 632,133 | - | 4,442,622 | - | 43,841,212 | 2.9 | |
| Deposits & placement of banks & other financial institutions | 1,673,287 | 70,575 | 70,575 | - | - | 284 | - | 1,814,721 | 3.7 | |
| Obligations on securities sold under repurchase agreements | 7,614,229 | 322,454 | - | - | - | - | - | 7,936,683 | 3.3 | |
| Bills and acceptance payable | 79,356 | 32,555 | 5,285 | - | - | 389,330 | - | 506,526 | 3.8 | |
| Floating rate certificate of deposits | - | - | - | - | - | - | - | - | - | |
| Other liabilities | - | - | - | - | - | 1,066,290 | - | 1,066,290 | - | |
| Subordinated obligations | - | - | - | - | 696,446 | - | - | 696,446 | 4.4 | |
| Short term syndicated loan | - | - | - | 529,050 | - | - | - | 529,050 | - | |
| Provision for taxation | - | - | - | - | - | 50,857 | - | 50,857 | - | |
| General and Family Takaful fund liabilities | - | - | - | - | - | - | - | - | - | |
| General and Family Takaful fund policyholders' fund | - | - | - | - | - | - | - | - | - | |
| Total liabilities | 27,763,662 | 8,734,975 | 12,136,136 | 1,161,183 | 696,446 | 5,949,383 | - | 56,441,785 | | |
| Shareholders funds | - | - | - | - | - | 4,379,446 | - | 4,379,446 | | |
| Total liabilities and Shareholders' funds | 27,763,662 | 8,734,975 | 12,136,136 | 1,161,183 | 696,446 | 10,328,829 | - | 60,821,231 | | |
| On-balance sheet profit sensitivity gap | 1,916,586 | 5,724,002 | (8,618,838) | 3,269,051 | 2,936,325 | | | | | |
| Off-balance sheet profit sensitivity gap | (548,350) | (2,027,041) | (6,380,000) | (7,492,059) | (334,550) | | | | | |
| Total profit sensitivity gap | 1,368,236 | 3,696,961 | (14,998,838) | (4,223,008) | 2,601,775 | | | | | |

27 d) Interest/Profit rate risk

| Bank 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 | | | | |
| Assets | | | | | | | | | |
| Cash and short term funds | 11,423,741 | - | - | - | - | 870,338 | - | 12,294,079 | 3.8 |
| Deposits & placement with banks & other financial instrument | - | 1,405,823 | 365,454 | 73,535 | - | - | - | 1,844,812 | 3.8 |
| Securities purchased resale agreement | 2,860,972 | 1,635,842 | - | - | - | - | - | 4,496,814 | 3.7 |
| Securities held at fair value through profit and loss | - | - | - | - | - | - | 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 BNM | - | - | - | - | - | 718,100 | - | 718,100 | - |
| Tax recovery | - | - | - | - | - | 522,041 | - | 522,041 | - |
| Property, plant and equipment | - | - | - | - | - | 235,513 | - | 235,513 | - |
| Deferred tax assets | - | - | - | - | - | 154,238 | - | 154,238 | - |
| Total assets | 30,330,528 | 4,530,075 | 1,874,769 | 6,576,937 | 4,571,469 | 3,502,830 | 3,752,487 | 55,139,095 | |
| Liabilities | | | | | | | | | |
| 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 | - |
| Total liabilities | 27,313,303 | 5,907,795 | 10,743,393 | 603,790 | 704,049 | 5,531,437 | - | 50,803,767 | |
| Shareholders funds | | | | | | 4,335,328 | | 4,335,328 | |
| Total liabilities and Shareholders' funds | 27,313,303 | 5,907,795 | 10,743,393 | 603,790 | 704,049 | 9,866,765 | - | 55,139,095 | |
| On-balance sheet profit sensitivity gap | 3,017,225 | (1,377,720) | (8,868,624) | 5,973,147 | 3,867,420 | | | | |
| Off-balance sheet profit sensitivity gap | (665,000) | (2,925,193) | (4,289,000) | (4,364,107) | (340,700) | | | | |
| Total profit sensitivity gap | 2,352,225 | (4,302,913) | (13,157,624) | 1,609,040 | 3,526,720 | | | | |

28 Operations of Islamic Banking

28a Unaudited Balance Sheet as at 31 December 2006

| | The Group | |
|---|---|---|
| | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 |
| ASSETS | | |
| Cash and short-term funds | 1,405,484 | 1,370,943 |
| Deposits and placements with bank and other financial institutions | 370,000 | - |
| Securities - Held-for-trading | 158,902 | 129,027 |
| Securities - Available-for-trading | 155,609 | 178,524 |
| Securities - Held-to-maturity | 436,086 | 589,337 |
| Financing, advances and other financing | 3,777,769 | 3,944,758 |
| Other assets | 24,610 | 36,525 |
| Statutory deposits with Bank Negara Malaysia | 144,124 | 163,424 |
| Property, plant and equipment | 1,829 | 2,060 |
| Deferred tax assets | 17,812 | 19,063 |
| Tax recoverable | 4,406 | - |
| Total Assets | 6,496,631 | 6,433,661 |
| LIABILITIES AND SHAREHOLDERS' FUNDS | | |
| Deposits from customers | 5,665,437 | 5,701,544 |
| Deposits and placements of banks and other financial institutions | 185,291 | 135,000 |
| Obligations on securities sold under purchase agreements | - | - |
| Bills and acceptance payable | 898 | 1,424 |
| Other liabilities | 75,760 | 52,037 |
| Provision for taxation | - | 2,373 |
| Total Liabilities | 5,927,386 | 5,892,378 |
| Islamic banking capital fund | 500,000 | 500,000 |
| Reserves | 69,245 | 41,283 |
| Islamic Banking Funds | 569,245 | 541,283 |
| Total Liabilities and Islamic Banking Funds | 6,496,631 | 6,433,661 |
| COMMITMENTS AND CONTINGENCIES | 416,711 | 427,370 |

Note: The Bank does not have any Islamic business since 1 July 2005 after vesting of the Islamic business to HLIB on the same date.

28 Operations of Islamic Banking (continued)

28b Unaudited Income Statements for the 2nd Quarter and Six Months Ended 31 December 2006

| <u>Group</u> | 2nd Quarter Ended | | Cumulative Six Months Ended | |
|--|-------------------|---------------|-----------------------------|----------------|
| | 31/12/2006 | 31/12/2005 | 31/12/2006 | 31/12/2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income derive from investment of deposits' funds and others | 75,454 | 72,523 | 152,255 | 140,490 |
| Income derive from investment of shareholders' funds | 7,233 | 6,735 | 14,820 | 13,393 |
| Allowance for losses on financing | (1,027) | (6,901) | 539 | (9,154) |
| Provision for commitments and contingencies | - | - | - | - |
| Impairment loss | - | - | - | - |
| Profit equalisation reserve | (5,611) | 3,975 | (4,611) | 3,975 |
| Other expenses directly attributable to the investment of the deposits and shareholders' funds | - | - | - | - |
| Total distributable income | 76,049 | 76,332 | 163,003 | 148,704 |
| Income attributable to deposits | (46,457) | (39,711) | (95,674) | (74,312) |
| Total net income | 29,592 | 36,621 | 67,329 | 74,392 |
| Other operating expenses | (12,551) | (21,379) | (31,400) | (42,037) |
| Profit before taxation and zakat | 17,041 | 15,242 | 35,929 | 32,355 |
| Zakat | (9) | (15) | (18) | (30) |
| Taxation | (4,601) | (4,309) | (9,701) | (9,131) |
| Profit after taxation and zakat | 12,431 | 10,918 | 26,210 | 23,194 |
| Profit attributable to shareholders | 12,431 | 10,918 | 26,210 | 23,194 |
| Earning per share - basic (sen) | 2.49 | 2.18 | 5.24 | 4.64 |
| Earning per share - fully diluted (sen) | 2.49 | 2.18 | 5.24 | 4.64 |

Note: The Bank does not have any Islamic business since 1 July 2005 after vesting of the Islamic business to HLIB on the same date.

28 Operations of Islamic Banking (continued)

28c Financing, advances and other financing

(i) By type

| | <u>The Group</u> | |
|--|--|--|
| | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 |
| Cash line | 9,532 | 10,196 |
| Term financing | | |
| - Housing financing | 1,499,378 | 1,045,491 |
| - Hire purchase receivable | 3,002,805 | 3,343,399 |
| - Lease receivable | 28,105 | 15,098 |
| - Other term financing | 540,292 | 548,171 |
| Claims on customers under acceptance credit | 22,917 | 103,291 |
| Staff financing | 105 | 123 |
| Revolving credit | 2,782 | 2,900 |
| Others | 480 | 1,096 |
| | <u>5,106,396</u> | <u>5,069,765</u> |
| Less: Unearned income | (1,240,622) | (1,037,941) |
| | <u>3,865,774</u> | <u>4,031,824</u> |
| Less: Allowance for bad and doubtful financing | | |
| - General | (57,530) | (60,158) |
| - Specific | (30,475) | (26,908) |
| Total net financing, advances and other financing | <u><u>3,777,769</u></u> | <u><u>3,944,758</u></u> |

(ii) By contract

| | <u>The Group</u> | |
|---|--|--|
| | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 |
| Bai' Bithaman Ajil (deferred payment sale) | 1,160,913 | 979,754 |
| Ijarah (lease) | 25,702 | 13,794 |
| Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership) | 2,656,242 | 2,934,985 |
| Murabah (cost-plus) | 22,917 | 103,291 |
| | <u><u>3,865,774</u></u> | <u><u>4,031,824</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

| | <u>The Group</u> | |
|---|---|---|
| | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 |
| At beginning | 75,637 | 70,437 |
| Amount transferred from HLF | - | - |
| Amount transferred to HLIB | - | - |
| Classified as non-performing during the period | 132,995 | 240,128 |
| Reclassified as performing | (106,753) | (195,844) |
| Amount recovered | (19,748) | (32,270) |
| Amount written off | - | (6,814) |
| At end | <u>82,131</u> | <u>75,637</u> |
| Net non-performing financing, advances and other financing | <u>51,656</u> | <u>48,729</u> |
| Ratio of net non-performing financing, advances and other financing to total net financing, advances and other financing | <u>1.3%</u> | <u>1.2%</u> |

28 Operations of Islamic Banking (continued)

28c Financing, advances and other financing (continued)

(ii) Movements in allowance for bad and doubtful financing

| | <u>The Group</u> | |
|---|---|---|
| | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 |
| General allowance | | |
| At beginning | 60,158 | 55,009 |
| Amount transferred from HLF | - | - |
| Amount transferred to HLIB | - | - |
| Allowance made / (written back) | (2,628) | 5,149 |
| At end | <u>57,530</u> | <u>60,158</u> |
| | | |
| As % of gross financing, advances and other financing less specific allowance | <u>1.5%</u> | <u>1.5%</u> |
| | | |
| Specific allowance | | |
| At beginning | 26,908 | 13,063 |
| Amount transferred from HLF | - | - |
| Amount transferred to HLIB | - | - |
| Allowance made / (written back) | 12,900 | 26,771 |
| Amount recovered | (9,333) | (6,111) |
| Amount written off | - | (6,815) |
| At end | <u>30,475</u> | <u>26,908</u> |

28 Operations of Islamic Banking (continued)28d Deposits from customer**By type of deposit**

| | <u>The Group</u> | |
|-------------------------------------|---|---|
| | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 |
| Non-Mudharabah | | |
| Demand deposits | 317,058 | 127,218 |
| Saving deposits | 488,003 | 433,735 |
| Negotiable Islamic Debt Certificate | 68,090 | 1,739,230 |
| Others | - | - |
| | <u>873,151</u> | <u>2,300,183</u> |
| Mudharabah | | |
| Demand deposits | - | - |
| Saving deposits | 370,800 | 292,243 |
| General investment deposits | 2,229,989 | 2,094,070 |
| Specific investment deposits | 2,190,239 | 1,013,613 |
| Others | 1,258 | 1,435 |
| | <u>4,792,286</u> | <u>3,401,361</u> |
| | <u>5,665,437</u> | <u>5,701,544</u> |

29 Change in accounting policies and prior year adjustments

During the financial period ended 31 December 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 RM212.4 million for the current financial quarter ended 31 December 2006, an increase of RM76.3 million as compared to previous corresponding quarter. Net income increased by RM75.4 million which was spurred by strong growth in business volume.

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

The Group pre-tax profit for the half year ended 31 December 2006 stood at RM410.8 million, an increase of RM77.2 million as compared to RM333.6 million in the previous corresponding period. Net income increased by RM117.5 million, which was spurred by the increase in net interest income of RM115.6 million.

2 Review of performance of current quarter against preceding quarter

For the current financial quarter, the Group recorded a pre-tax profit of RM212.4 million as compared to RM198.4 million in the preceding quarter, an increase of RM14.0 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

| | Current Quarter Ended 31/12/2006 RM'000 | Corresponding Quarter Ended 31/12/2005 RM'000 | Financial Period Ended 31/12/2006 RM'000 | Financial Period Ended 31/12/2005 RM'000 |
|---|--|--|---|---|
| The Group | | | | |
| Malaysian income tax | 60,225 | 40,568 | 119,370 | 91,372 |
| Oversea tax | - | - | - | - |
| | <u>60,225</u> | <u>40,568</u> | <u>119,370</u> | <u>91,372</u> |
| Transfer from/(to) deferred taxation | (2,879) | (2,784) | (8,000) | 1,753 |
| | <u><u>57,346</u></u> | <u><u>37,784</u></u> | <u><u>111,370</u></u> | <u><u>93,125</u></u> |

5 Taxation (continued)

| | Current Quarter Ended 31/12/2006 RM'000 | Corresponding Quarter Ended 31/12/2005 RM'000 | Financial Period Ended 31/12/2006 RM'000 | Financial Period Ended 31/12/2005 RM'000 |
|---|--|--|---|---|
| The Bank | | | | |
| Malaysian income tax | 55,944 | 36,776 | 110,266 | 82,720 |
| Oversea tax | - | - | - | - |
| | <u>55,944</u> | <u>36,776</u> | <u>110,266</u> | <u>82,720</u> |
| Transfer from/(to) deferred taxation | (3,323) | (3,349) | (8,709) | 1,188 |
| | <u>52,621</u> | <u>33,427</u> | <u>101,557</u> | <u>83,908</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 ("BNM") had, vide its letter dated 2 March 2006, approved an application by the JV parties for a takaful licence under the Takaful Act 1984. The JV represented a strategic alliance between the parties to undertake Takaful business in Malaysia and a vehicle for future overseas expansion in the Takaful business.

Hong Leong Tokio Marine Takaful Berhad commenced business on 30 November 2006 upon registration as takaful operator with BNM pursuant to Section 8 of the Takaful Act 1984 for carrying out takaful family solidarity (takaful family) business and takaful general 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 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 |
| Deposits from customers | | | | |
| Fixed deposits | 29,716,769 | 27,071,336 | 25,659,142 | 24,436,102 |
| Negotiable instruments of deposit | 7,826,972 | 6,229,198 | 7,758,882 | 4,489,968 |
| Demand deposits | 4,651,001 | 4,328,335 | 4,346,196 | 4,213,037 |
| Saving deposits | 6,702,440 | 6,402,925 | 5,843,637 | 5,676,948 |
| Other | 234,613 | 244,328 | 233,355 | 242,893 |
| | <u>49,131,795</u> | <u>44,276,122</u> | <u>43,841,212</u> | <u>39,058,948</u> |
| The maturity structure of fixed deposits and negotiable instruments: | | | | |
| One year or less (short term) | 37,543,741 | 32,696,790 | 33,418,024 | 28,322,326 |
| More than one year (medium/long term) | - | 603,744 | - | 603,744 |
| | <u>37,543,741</u> | <u>33,300,534</u> | <u>33,418,024</u> | <u>28,926,070</u> |

| | <u>The Group</u> | | <u>The Bank</u> | |
|---|---|---|---|---|
| | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 |
| Deposits and placements of banks and other financial institutions | | | | |
| Licensed banks | 1,840,013 | 2,494,760 | 1,714,721 | 2,359,760 |
| Other financial institutions | 160,000 | 301,500 | 100,000 | 301,499 |
| | <u>2,000,013</u> | <u>2,796,260</u> | <u>1,814,721</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) | 2,000,013 | 2,796,260 | 1,814,721 | 2,661,259 |
| More than one year (medium/long term) | - | - | - | - |
| | <u>2,000,013</u> | <u>2,796,260</u> | <u>1,814,721</u> | <u>2,661,259</u> |

11 Subordinated bonds

| | <u>The Group and The Bank</u> | |
|--------------------|---|---|
| | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 |
| Subordinated bonds | | |
| - USD200 million | <u>696,446</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 Syndicated loan facility

| | <u>The Group and The Bank</u> | |
|--------------------------|---|---|
| | Financial Period Ended 31/12/2006 RM'000 | Financial Year Ended 30/06/2006 RM'000 |
| Syndicated loan facility | | |
| - USD150 million | <u>529,050</u> | <u>-</u> |

During the financial period, the Bank entered into a Syndicated Transferable Short Term Loan Facility ("the Facility") of USD150 million repayable in bullet repayment on the date falling 364 days from the drawdown date. Proceeds from the Facility would be used for general funding purposes.

13 Off-balance sheet financial instruments

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

The Group

| Items | Principal Amount | 1 mth or less | >1 - 3 Mths | >3 - 6 Mths | >6 - 12 Mths | >1 - 5 Years | > 5 years |
|------------------------------------|-------------------|------------------|------------------|------------------|------------------|-------------------|----------------|
| RM'000 | | | | | | | |
| Foreign exchange related contracts | | | | | | | |
| - forwards | 2,328,588 | 1,423,805 | 541,425 | 196,894 | 162,580 | 3,884 | - |
| - swaps | 7,987,190 | 2,999,296 | 1,531,338 | 1,654,984 | 846,317 | 955,255 | - |
| - options | 1,995,095 | 907,712 | 856,683 | 22,133 | 208,567 | - | - |
| Interest rate related contracts | | | | | | | |
| - forwards | - | - | - | - | - | - | - |
| - futures | 18,556,540 | - | 2,367,540 | 2,456,000 | 4,518,000 | 9,215,000 | - |
| - swaps | 12,315,772 | 38,180 | 532,940 | 1,160,000 | 1,230,000 | 8,967,641 | 387,011 |
| Total | 43,183,185 | 5,368,993 | 5,829,926 | 5,490,011 | 6,965,464 | 19,141,780 | 387,011 |

The Bank

| Items | Principal Amount | 1 mth or less | >1 - 3 Mths | >3 - 6 Mths | >6 - 12 Mths | >1 - 5 Years | > 5 years |
|------------------------------------|-------------------|------------------|------------------|------------------|------------------|-------------------|----------------|
| RM'000 | | | | | | | |
| Foreign exchange related contracts | | | | | | | |
| - forwards | 2,328,588 | 1,423,805 | 541,425 | 196,894 | 162,580 | 3,884 | - |
| - swaps | 7,986,295 | 2,999,296 | 1,531,338 | 1,654,089 | 846,317 | 955,255 | - |
| - options | 1,995,095 | 907,712 | 856,683 | 22,133 | 208,567 | - | - |
| Interest rate related contracts | | | | | | | |
| - forwards | - | - | - | - | - | - | - |
| - futures | 18,556,540 | - | 2,367,540 | 2,456,000 | 4,518,000 | 9,215,000 | - |
| - swaps | 12,315,772 | 38,180 | 532,940 | 1,160,000 | 1,230,000 | 8,967,641 | 387,011 |
| Total | 43,182,290 | 5,368,993 | 5,829,926 | 5,489,116 | 6,965,464 | 19,141,780 | 387,011 |

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 RM374,586,139 (FYE June 2006: RM340,585,000) and RM29,337,211,600 (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 RM67,096,441 (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

Derivative 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 items 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

An interim dividend of 9.0 sen per share less income tax of 27% has been proposed for the current quarter.

- (i) Amount per share: 9.0 sen (less 27% taxation).
- (ii) Previous corresponding quarter: 9.0 sen per share (less 28% taxation).
- (iii) Entitlement date: 15 March 2007
- (iv) Payment date: 28 March 2007

16 Earnings per share

a) Basic earnings per share

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

| | Current Quarter Ended 31/12/2006 RM'000 | Corresponding Quarter Ended 31/12/2005 RM'000 | Financial Period Ended 31/12/2006 RM'000 | Financial Period Ended 31/12/2005 RM'000 |
|--|--|--|---|---|
| <u>The Group</u> | | | | |
| Net profit attributable to shareholders of the company | 155,557 | 98,269 | 299,924 | 240,400 |
| 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 | (116,845) | (54,198) | (110,897) | (53,146) |
| | <u>1,463,262</u> | <u>1,525,909</u> | <u>1,469,210</u> | <u>1,526,961</u> |
| Basic earnings per share (sen) | 10.6 | 6.4 | 20.4 | 15.7 |
| <u>The Bank</u> | | | | |
| Net profit attributable to shareholders of the company | 143,251 | 86,419 | 273,047 | 214,867 |
| 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 | (116,845) | (54,198) | (110,897) | (53,146) |
| | <u>1,463,262</u> | <u>1,525,909</u> | <u>1,469,210</u> | <u>1,526,961</u> |
| Basic earnings per share (sen) | 9.8 | 5.6 | 18.6 | 14.1 |

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 31/12/2006 RM'000 | Corresponding Quarter Ended 31/12/2005 RM'000 | Financial Period Ended 31/12/2006 RM'000 | Financial Period Ended 31/12/2005 RM'000 |
|---|--|--|---|---|
| <u>The Group</u> | | | | |
| Net profit attributable to shareholders of the company | 155,557 | 98,269 | 299,924 | 240,400 |
| Weighted average number of ordinary shares in issue (diluted) ('000): | | | | |
| - during the year | 1,463,262 | 1,525,909 | 1,469,210 | 1,526,961 |
| - adjustment for ESOS | - | - | - | - |
| | <u>1,463,262</u> | <u>1,525,909</u> | <u>1,469,210</u> | <u>1,526,961</u> |
| Fully diluted earnings per share (sen) | 10.6 | 6.4 | 20.4 | 15.7 |
| <u>The Bank</u> | | | | |
| Net profit attributable to shareholders of the company | 143,251 | 86,149 | 273,047 | 214,867 |
| Weighted average number of ordinary shares in issue (diluted) ('000): | | | | |
| - during the year | 1,463,262 | 1,525,909 | 1,469,210 | 1,526,961 |
| - adjustment for ESOS | - | - | - | - |
| | <u>1,463,262</u> | <u>1,525,909</u> | <u>1,469,210</u> | <u>1,526,961</u> |
| Fully diluted earnings per share (sen) | 9.8 | 5.6 | 18.6 | 14.1 |