

Our Corporate Vision

An Outstanding Financial Services Organization,
Highly Competitive and Profitable,
Where People Make the Difference.



Our Core Values

Integrity | Trust | Service



Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Hong Leong Bank Group (“Group”) and Hong Leong Bank (“Bank”) for the year ended 30 June 2007.



The 2006/7 financial year was another good year for the Group. Profit after tax rose 13% to RM619 million. Earnings per share was up 16% to 42.4 sen. Returns on average shareholder funds improved by 130 basis points to 13.8%.

This set of performance demonstrates the Group's ability and track record to consistently create and deliver higher value to our shareholders. Our Business Transformation agenda is to invest for long-term sustainable growth and prime value creation. The Group's focused pursuit to entrench itself in the community towards dominant market positions is picking up pace and showing positive results. The franchise remains highly competitive and relevant to the changing market place.

Assets expanded by 18%. Gross loans grew 10%, outpacing industry by 1.7 times. Our competitiveness for market share improved significantly, underscored by a 9% share of all incremental loans booked in the industry over the financial year.

The Islamic financing portfolio made up 12% of the overall loans book at the end of the financial year. We are repositioning the Group's Islamic Financial Services franchise towards Islamic Wholesale Banking and Investment Banking, as well as Islamic Wealth Management and Takaful, with an emphasis on non-financing income.

Chairman's Statement (continued)

Deposits from customers were up 28%. The strength of our core deposits franchise amongst the community and customers that we serve underpinned an 11% share of all incremental deposits in the industry over the financial year.

The operating performance was spurred by an expanding net interest income line (up 15%) and higher non-interest income from the Group's domestic operations (up 12%). Total net income grew by 8% to RM 1.77 billion. They provide a clear indication that the Group-wide Business Transformation programme to scale up the Group towards sustainable growth is producing results, notwithstanding competitive headwinds in a liberalizing industry. We have been able to generate consistent organic growth across all our businesses.

The Personal Financial Services segment continued its transformational strides to post an 18% rise in profit before tax, contributing 58% of Group-wide profit before tax. One of the most important moves we made over the financial year was to accelerate the wealth management business as a new growth engine. Non-interest income in this segment saw a 25% improvement from our domestic operations, while our offshore Private Banking based out of HL Bank Singapore (the Singapore Branch), contributed 40% of the Branch's profitability.

The Wholesale Banking business, consisting of HL Markets (Treasury), Corporate and Commercial, as well Debt Capital Markets (DCM) and Structured Finance segments delivered a 16% expansion in profit before tax. That was achieved on the back of stronger non-interest income streams from its trade finance, forex and DCM activities. The integration of these various businesses under Wholesale Banking will offer solutions to our business customers.

HL Bank Singapore delivered 4% of the Group's profit before tax. The Hong Kong Branch, due to the size of its operations currently, remains a strategic platform for the Group to seize opportunities in Greater China, when the timing is appropriate.

Asset quality remains a franchise differentiator. Gross NPL ratio decreased to 3.2% from 4.7% a year ago, while net NPL ratio was better at 1.9% from 3.1%.

Capital adequacy for the Group remained strong, with the core capital and risk-weighted capital ratios at 13.3% and 16.8% as at 30 June 2007.

In May 2007, Moody's upgraded the Bank's long-term general rating. The Bank Financial Strength Rating (BFSR) is upgraded to C-. The Global Local Currency Deposit Ratings assigned are A2/P-1. The Foreign Currency Deposit Ratings are upgraded to A3/P-1 from Baa1/P-2. The Foreign Currency Debt Rating for subordinated obligations is upgraded to A3 from Baa2. The rating upgrades endorse the soundness of the Group's fundamentals as a financial services organization. Our rating strengths lie in our established consumer and middle-market franchise, conservative management and very high levels of capital and liquidity.

The Group's long term ratings by Fitch, and Standard & Poor's are BBB+, and BBB+ respectively. In March 2007, Rating Agency Malaysia Berhad reaffirmed the Bank's long-term rating at AA2 and the short-term rating at P1, with stable outlook.

The Board is proposing a final dividend of 15 sen per share less tax of 26%, payable on 21 November 2007 subject to the approval by shareholders in the coming Annual General Meeting. Subject to the approval, total dividends in respect of the financial year ended 30 June 2007 would be 24 sen per share.

Market Outlook & Strategic Progress

The Board is cautiously optimistic and hopeful of better economic and market conditions going into the new financial year. While the Group can never be immune to external shocks, the Group's growth strategy should remain on track. Malaysia will continue to ride on improving external demand and a resilient domestic sector. The private sector is expected to benefit from multiplier effects from the progressive implementation of projects under the Ninth Malaysia Plan, leading to higher consumer spending and greater investment activities.

The industry price war will be a continuing feature in view of the excess liquidity in the system. Defending asset yields will be a strong challenge. Although the credit conditions in most of our segments remain benign, we are cautious on the credit outlook. Our prudent risk management policies and investments in new risk management and Basel II capabilities will support our business growth and risk-reward expectations.

Chairman's Statement (continued)

On balance, there are opportunities to build on our growth prospects in both traditional and newer, fast growing segments such as wealth management and Islamic financial services. We have a comprehensive network of branches and business centres throughout the country, and we are investing in our franchise overseas. The knowledge, insights and understanding that we gain from embedding ourselves with our community and customer base will drive our ability to innovate across all our businesses. Organic growth will be pivotal to our success, and inorganically, the Group will remain opportunistic where it fits the strategy.

Barring unforeseen circumstances, the Board is optimistic for the Group to create better value for shareholders and stakeholders in the coming financial year. With the support of my fellow Board members and Management team, I believe we can build on the heritage of Hong Leong Bank, and strengthen our capacity towards our Vision of becoming an outstanding financial services organization where people make the difference.

A Note of Appreciation

On behalf of the Board of Directors, I would like to record my gratitude to our customers, business partners and shareholders for their continuous support and confidence in the Group. A special note of appreciation goes to the Management team and employees of the Group for their passion, dedication, hard work and vision.

On behalf of the Board and Management, I deeply appreciate and thank Bank Negara Malaysia, the Ministry of Finance, Government agencies, and regulatory authorities for their invaluable assistance, guidance and counsel.

Quek Leng Chan

Chairman

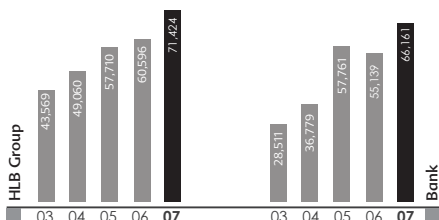
12 September 2007

Financial Highlights

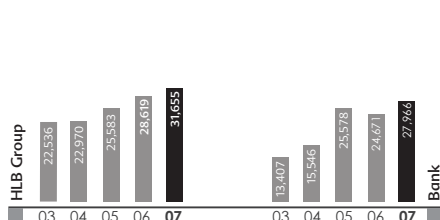
HLB Group	June 03 RM Million	June 04 RM Million	June 05 RM Million	June 06 RM Million	June 07 RM Million
Total Assets	43,569	49,060	57,710	60,596	71,424
Net Loans	22,536	22,970	25,583	28,619	31,655
Customers Deposits	35,999	37,802	39,916	44,276	56,719
Pre-tax Profit	802	529	713	764	857

Bank	June 03 RM Million	June 04 RM Million	June 05 RM Million	June 06 RM Million	June 07 RM Million
Total Assets	28,511	36,779	57,761	55,139	66,161
Net Loans	13,407	15,546	25,578	24,671	27,966
Customers Deposits	21,629	26,123	39,991	39,059	51,873
Pre-tax Profit	933	514	1,521	697	759

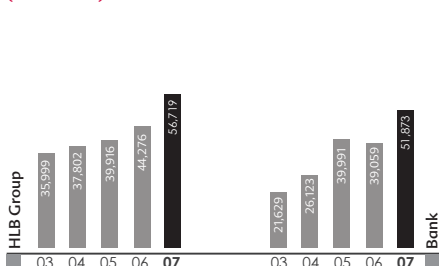
Total Assets (RM Million)



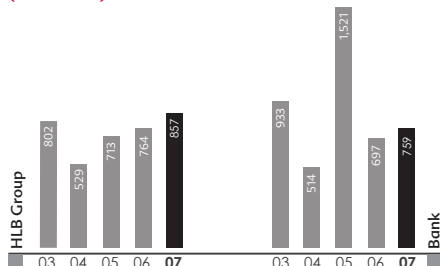
Net Loans (RM Million)



Customers Deposits (RM Million)



Pre-Tax Profit (RM Million)



People *Make the Difference*

A company is not an organization. It takes people to transform
a company into an organization.

- Hong Leong Group Malaysia



Balance Sheets

as at 30 June 2007

	Note	The Group		The Bank	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Assets					
Cash and short-term funds	3	15,989,916	13,565,015	14,880,849	12,294,079
Securities purchased under resale agreements		3,495,309	4,496,814	3,495,309	4,496,814
Deposits and placements with banks and other financial institutions	4	9,147,158	1,484,812	9,047,158	1,844,812
Securities held at fair value through profit or loss	5	3,487,793	3,881,514	3,217,357	3,752,487
Available-for-sale securities	6	2,826,572	5,824,132	2,678,308	5,645,608
Held-to-maturity securities	7	2,466,821	1,029,789	2,034,009	440,452
Loans, advances and financing	8	31,654,774	28,618,868	27,965,985	24,671,107
Other assets	9	690,782	388,481	812,195	363,844
Statutory deposits with Bank Negara Malaysia	10	1,206,939	881,524	1,036,625	718,100
Investment in subsidiary companies	11	-	-	577,041	522,041
Property and equipment	12	252,369	230,865	235,313	214,378
Intangible assets	13	33,823	21,135	32,171	21,135
Deferred tax assets	14	164,961	173,301	149,078	154,238
General and family takaful funds	15	6,522	-	-	-
Total assets		71,423,739	60,596,250	66,161,398	55,139,095
Liabilities					
Deposits from customers	16	56,719,397	44,276,122	51,873,299	39,058,948
Deposits and placements of banks and other financial institutions	17	5,113,620	2,796,260	5,038,620	2,661,259
Obligations on securities sold under repurchase agreements		1,129,521	6,872,399	1,129,521	6,872,399
Bills and acceptances payable		566,251	546,209	562,495	541,557
Syndicated short term loan	19	509,850	-	509,850	-
Other liabilities	20	1,963,074	934,706	1,843,864	935,051
Subordinated obligations	21	671,657	704,049	671,657	704,049
General and family takaful funds	15	928	-	-	-
General and family takaful participants' funds	15	5,594	-	-	-
Provision for taxation		85,140	85,596	38,409	30,504
Total liabilities		66,765,032	56,215,341	61,667,715	50,803,767
Equity					
Share capital	22	1,580,107	1,580,107	1,580,107	1,580,107
Reserves	23	3,730,056	3,291,827	3,608,687	3,246,246
Less: Treasury shares	24	(695,111)	(491,025)	(695,111)	(491,025)
Minority interest		43,655	-	-	-
Total equity		4,658,707	4,380,909	4,493,683	4,335,328
Total equity and liabilities		71,423,739	60,596,250	66,161,398	55,139,095
Commitments and contingencies	36	76,664,716	48,083,936	76,266,690	47,656,567

Income Statements

for the financial year ended 30 June 2007

	Note	The Group		The Bank	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Interest income	25	2,864,161	2,387,996	2,882,081	2,411,860
Interest expense	26	(1,695,037)	(1,374,457)	(1,715,796)	(1,399,487)
Net interest income		1,169,124	1,013,539	1,166,285	1,012,373
Income from Islamic Banking Business	27	143,827	166,711	-	-
Non-interest income	28	1,312,951 455,239	1,180,250 450,483	1,166,285 439,100	1,012,373 450,059
Overhead expenses	29	1,768,190 (748,017)	1,630,733 (607,684)	1,605,385 (686,761)	1,462,432 (527,390)
Operating profit before allowances		1,020,173	1,023,049	918,624	935,042
Allowances for losses on loans, advances and financing	30	(161,750)	(249,099)	(157,355)	(228,214)
Impairment losses on available-for-sale securities		(1,825)	(9,709)	(1,825)	(9,709)
Profit before taxation and zakat		856,598	764,241	759,444	697,119
Taxation and zakat	33	(237,149)	(214,321)	(212,413)	(194,563)
Profit after taxation and zakat for the financial year		619,449	549,920	547,031	502,556
Attributable to:					
Equity holders of the Bank		620,794	549,920	547,031	502,556
Minority interest		(1,345)	-	-	-
		619,449	549,920	547,031	502,556
Earnings per share attributable to ordinary equity holders of the Bank (sen):					
- basic/fully diluted	34	42.4	36.4	37.4	33.2
Dividend per share (net)*:					
- interim dividend of 9.0 sen (2006: 9.0 sen) less tax at 27% (2006: 28%)		6.6	6.5	6.6	6.5
- final dividend of 15.0 sen (2006: 15.0 sen) less tax at 27% (2006: 28%)		11.0	10.8	11.0	10.8
		17.6	17.3	17.6	17.3

* Dividends recognised as distributions to equity holders during the year.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixty-sixth Annual General Meeting of Hong Leong Bank Berhad (“Bank”) will be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 30 October 2007 at 11.00 a.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the year ended 30 June 2007.
2. To declare a final dividend of 15 sen per share less income tax at 26% for the year ended 30 June 2007 to be paid on 21 November 2007 to members registered in the Record of Depositors on 6 November 2007.
3. To approve the payment of Directors’ fees of RM518,644 for the year ended 30 June 2007, to be divided amongst the Directors in such manner as the Directors may determine.
4. To re-elect the following retiring Directors:-
 - (a) Mr Kwek Leng Hai
 - (b) Mr Kwek Leng Seng
 - (c) Encik Zulkiflee bin Hashim
 - (d) Mr Choong Yee How.
5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Bank and authorise the Directors to fix their remuneration.
6. As a special business, to consider and, if thought fit, pass the following ordinary motion:

Authority To Directors To Issue Shares

“**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Bank, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued capital of the Bank for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Bank.”

7. To consider any other business of which due notice shall have been given.

(Resolution 1)

(Resolution 2)

(Resolution 3)

(Resolution 4)

(Resolution 5)

(Resolution 6)

(Resolution 7)

(Resolution 8)

Notice of Annual General Meeting (continued)

FURTHER NOTICE IS HEREBY GIVEN that a depositor shall qualify for entitlement to the final dividend only in respect of :

- (a) shares transferred into the depositor's securities account before 4.00 p.m. on 6 November 2007 in respect of ordinary transfers; and
- (b) shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

LOH BEE HONG

Secretary

Kuala Lumpur
8 October 2007

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy may but need not be a member of the Bank and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Bank. A member who is an authorised nominee may appoint not more than two proxies in respect of each securities account it holds.
2. The Form of Proxy must be deposited at the Registered Office of the Bank at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.
3. **Ordinary Resolution On Authority To Directors To Issue Shares**

The Ordinary Resolution, if passed, will give authority to the Directors of the Bank to issue ordinary shares of the Bank for such purposes as the Directors consider would be in the interest of the Bank. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Bank.

Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad)

- **Details of individuals who are standing for election as Directors**

No individual is seeking election as a Director at the forthcoming Sixty-sixth Annual General Meeting of the Bank.



Hong Leong Bank Berhad (97141-X)

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

Form of Proxy

I/We _____

of _____

being a member/members of HONG LEONG BANK BERHAD, hereby appoint _____

of _____

or failing him/her _____

of _____

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Sixty-sixth Annual General Meeting of the Bank to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 30 October 2007 at 11.00 a.m. and at any adjournment thereof.

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

Resolutions	For	Against
1. To declare a final dividend of 15 sen per share less tax		
2. To approve the payment of Directors' fees		
3. To re-elect Mr Kwek Leng Hai as a Director		
4. To re-elect Mr Kwek Leng Seng as a Director		
5. To re-elect Encik Zulkiflee bin Hashim as a Director		
6. To re-elect Mr Choong Yee How as a Director		
7. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration		
8. As a special business, to approve the ordinary resolution on authority to Directors to issue shares		

Dated this _____ day of _____ 2007

Number of shares held

Signature of member

Notes:-

- If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.
- If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
- A proxy need not be a member of the Bank and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Bank.
- A member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where two proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in order for the appointments to be valid. Where a member of the Bank is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two proxies in respect of each securities account it holds with ordinary shares of the Bank standing to the credit of the said securities account.
- In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
- All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time for holding the meeting or adjourned meeting.

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**The Company Secretary
Hong Leong Bank Berhad**

(Company No. 97141-X)

**Level 8, Wisma Hong Leong
18 Jalan Perak, 50450 Kuala Lumpur
Malaysia**

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Hong Leong Bank Berhad (97141-X)

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

Request Form

To : Corporate Branding & Communications
 Hong Leong Bank Berhad
 Level 3A, Wisma Hong Leong
 18 Jalan Perak, 50450 Kuala Lumpur
 Malaysia

Homepage : www.hlb.com.my
 Contact person : Ms Jessica Lee
 Email : LeeCL@hlbb.hongleong.com.my
 Tel : 603-2164 2828
 Fax : 603-2164 1607

Please send me a printed copy of Hong Leong Bank Berhad 2007 Annual Report.

Name of Shareholder :

I.C./Passport/Company No. :

CDS Account No. :

Correspondence Address :

Telephone No. :

Signature of Shareholder:

.....
Date:

Note to Shareholders:

The printed copy of the Annual Report will be forwarded to you within 4 market days from the date of receipt of your written request.

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Corporate Branding & Communications
Hong Leong Bank Berhad

(Company No. 97141-X)

Level 3A, Wisma Hong Leong
18 Jalan Perak, 50450 Kuala Lumpur
Malaysia

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