

Condensed Financial Statements
Hong Leong Bank Berhad
Audited Balance Sheet As At 30 June 2005

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<u>ASSETS</u>				
Cash and short-term funds	11,124,578	13,935,646	11,125,551	10,166,102
Deposits and placements with financial institutions	3,537,614	2,985,080	3,537,614	2,345,580
Securities purchased under resale agreements	9,928,492	-	9,928,492	-
Dealing securities	2,632,694	2,371,508	2,632,694	2,369,650
Investment securities	3,362,726	4,507,210	3,362,726	4,115,065
Loans, advances and financing	25,582,735	22,970,195	25,578,044	15,546,040
Other assets	255,620	1,209,168	253,274	1,194,489
Statutory deposits with Bank Negara Malaysia	839,600	691,988	839,600	379,500
Investment in subsidiary companies	-	-	72,041	395,841
Property, plant and equipment	244,392	246,964	229,835	172,874
Deferred tax assets	115,204	142,646	115,204	93,800
Total Assets	<u>57,623,655</u>	<u>49,060,405</u>	<u>57,675,075</u>	<u>36,778,941</u>
<u>LIABILITIES AND SHAREHOLDERS' FUNDS</u>				
Deposits from customers	39,916,490	37,802,258	39,990,690	26,123,219
Deposits and placements of banks and other financial institutions	2,066,162	1,451,519	2,066,162	1,657,469
Obligations on securities sold under repurchase agreements	9,521,596	3,594,893	9,521,596	3,594,893
Bills and acceptance payable	568,895	1,248,308	564,897	1,242,679
Floating rate certificate of deposits	417,916	-	417,916	-
Other liabilities	695,178	468,644	712,946	321,274
Provision for taxation	36,520	69,285	-	-
Total Liabilities	<u>53,222,757</u>	<u>44,634,907</u>	<u>53,274,207</u>	<u>32,939,534</u>
Share Capital	1,580,107	1,580,107	1,580,107	1,580,107
Reserves	3,095,166	2,845,391	3,095,136	2,259,300
Less: Treasury Shares	(274,375)	-	(274,375)	-
Total Shareholders' Funds	<u>4,400,898</u>	<u>4,425,498</u>	<u>4,400,868</u>	<u>3,839,407</u>
Total Liabilities and Shareholders' Funds	<u>57,623,655</u>	<u>49,060,405</u>	<u>57,675,075</u>	<u>36,778,941</u>
<u>COMMITMENTS AND CONTINGENCIES</u>	<u>38,380,331</u>	<u>20,200,101</u>	<u>38,376,333</u>	<u>19,407,750</u>
<u>CAPITAL ADEQUACY</u>				
Core capital ratio	15.85%	17.49%	15.87%	21.02%
Risk-weighted capital ratio	17.38%	18.99%	17.13%	21.02%
Net tangible asset per share (RM)	2.88	2.80	2.88	2.43

Hong Leong Bank Berhad

Condensed Financial Statements Audited Income Statement For The Financial Year Ended 30 June 2005

The Group

	Current Quarter Ended 30/06/2005 RM'000	Corresponding Quarter Ended 30/06/2004 RM'000	Current Year Ended 30/06/2005 RM'000	Corresponding Year Ended 30/06/2004 RM'000
Interest income	557,343	521,245	2,135,614	2,072,604
Interest expense	(316,923)	(266,748)	(1,162,244)	(1,017,823)
Net interest income	240,420	254,497	973,370	1,054,781
SPI income	53,134	32,012	151,058	109,364
Non interest income	66,026	59,919	339,551	230,076
Staff cost and overheads	359,580 (151,921)	346,428 (138,217)	1,463,979 (575,695)	1,394,221 (498,063)
Operating profit before provision Loan(<i>and financing</i>) loss and provision	207,659 (50,321)	208,211 (80,470)	888,284 (166,106)	896,158 (367,437)
Profit before taxation (and zakat)	157,338	127,741	722,178	528,721
Taxation	(43,390)	(33,529)	(202,399)	(146,741)
Zakat	(15)	(20)	(45)	(20)
Profit after taxation	113,933	94,192	519,734	381,960
Profit attributable to shareholders	113,933	94,192	519,734	381,960
Earnings per share - basic (sen)	7.3	6.0	33.2	24.5
Earnings per share - fully diluted (sen)	7.3	6.0	33.2	24.5

Hong Leong Bank Berhad
Condensed Financial Statements
Audited Income Statement
For The Financial Year Ended 30 June 2005

	The Bank			
	Current Quarter Ended 30/06/2005 RM'000	Corresponding Quarter Ended 30/06/2004 RM'000	Current Year Ended 30/06/2005 RM'000	Corresponding Year Ended 30/06/2004 RM'000
Interest income	556,971	352,103	2,080,936	1,309,683
Interest expense	(317,250)	(183,292)	(1,137,121)	(652,590)
Net interest income	239,721	168,811	943,815	657,093
SPI income	53,134	8,177	147,334	21,838
Non interest income	93,980	83,982	1,174,427	536,876
Staff cost and overheads	386,835 (152,023)	260,970 (119,268)	2,265,576 (570,085)	1,215,807 (421,408)
Operating profit before provision Loan(<i>and financing</i>) loss and provision	234,812 (48,245)	141,702 (49,339)	1,695,491 (165,434)	794,399 (280,050)
Profit before taxation (and zakat)	186,567	92,363	1,530,057	514,349
Taxation	(44,352)	(25,075)	(424,217)	(145,014)
Zakat	(15)	(20)	(45)	(20)
Profit after taxation	142,200	67,268	1,105,795	369,315
Profit attributable to shareholders	142,200	67,268	1,105,795	369,315
Earnings per share - basic (sen)	9.1	4.3	70.7	23.7
Earnings per share - fully diluted (sen)	9.1	4.3	70.7	23.7

Hong Leong Bank Berhad
Condensed Financial Statements
Audited
Statement of Changes in Equity As At 30 June 2005

The Group	<u>Non-distributable</u>		<u>Distributable</u>		Treasury Shares RM'000	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Revaluation and Other Reserves RM'000	Retained Profit RM'000		
Opening Balance @ 1 July 2003	1,434,951	108,779	1,584,201	779,594	-	3,907,525
<i>Currency translation differences</i>	-	-	892	-		892
Net gain and losses not recognised in the profit and loss accounts	-	-	892	-		892
Net profit for the period	-	-	-	381,960		381,960
Transfer to statutory reserve	-	-	92,329	(92,329)		-
Dividend paid	-	-	-	(440,920)		(440,920)
Special issue to Bumiputera Investors	143,475	430,425	-	-		573,900
less: Expenses incurred in relation to Special issue	-	(4,069)	-	-		(4,069)
Issue of share capital from ESOS conversion	1,681	4,529	-	-		6,210
Closing Balance @ 30 June 2004	1,580,107	539,664	1,677,422	628,305	-	4,425,498
Opening Balance @ 1 July 2004	1,580,107	539,664	1,677,422	628,305	-	4,425,498
<i>Currency translation differences</i>	-	-	1,850	-		1,850
Net gain and losses not recognised in the profit and loss accounts	-	-	1,850	-		1,850
Net profit for the period	-	-	-	519,734		519,734
Transfer to statutory reserve	-	-	(237,703)	237,703		-
Dividend paid	-	-	-	(271,809)		(271,809)
Special issue to Bumiputera Investors	-	-	-	-		-
Realisation of merger reserve due to capital reduction exercise of a subsidiary company	-	-	73,800	(73,800)		-
Issue of share capital from ESOS conversion	-	-	-	-		-
Purchase of Treasury Shares					(274,375)	(274,375)
Closing Balance @ 30 June 2005	1,580,107	539,664	1,515,369	1,040,133	(274,375)	4,400,898

Hong Leong Bank Berhad
Condensed Financial Statements
Audited
Statement of Changes in Equity As At 30 June 2005

<u>The Bank</u>	<u>Non-distributable</u>			<u>Distributable</u>		Total RM'000
	Share Capital RM'000	Share Premium RM'000	Revaluation and Other Reserves RM'000	Retained Profit RM'000	Treasury Shares RM'000	
Opening Balance @ 1 July 2003	1,434,951	108,779	1,143,849	646,500	-	3,334,079
<i>Currency translation differences</i>	-	-	892	-	-	892
Net gain and losses not recognised in the profit and loss accounts	-	-	892	-	-	892
Net profit for the period	-	-	-	369,315	-	369,315
Transfer to statutory reserve	-	-	92,329	(92,329)	-	-
Dividend paid	-	-	-	(440,920)	-	(440,920)
Special issue to Bumiputera Investors	143,475	430,425	-	-	-	573,900
less: Expenses incurred in relation to Special issue	-	(4,069)	-	-	-	(4,069)
Issue of share capital from ESOS conversion	1,681	4,529	-	-	-	6,210
Closing Balance @ 30 June 2004	1,580,107	539,664	1,237,070	482,566	-	3,839,407
Opening Balance @ 1 July 2004	1,580,107	539,664	1,237,070	482,566	-	3,839,407
<i>Currency translation differences</i>	-	-	1,850	-	-	1,850
Net gain and losses not recognised in the profit and loss accounts	-	-	1,850	-	-	1,850
Net profit for the period	-	-	-	1,105,795	-	1,105,795
Transfer to statutory reserve	-	-	276,449	(276,449)	-	-
Dividend paid	-	-	-	(271,809)	-	(271,809)
Purchase of Treasury Shares	-	-	-	-	(274,375)	(274,375)
Closing Balance @ 30 June 2005	1,580,107	539,664	1,515,369	1,040,103	(274,375)	4,400,868

Hong Leong Bank Berhad
Condensed Financial Statements
Audited Condensed Cash Flow Statement
For The Financial Year Ended 30 June 2005

	The Group		The Bank	
	Financial Year Ended 30/06/2005 RM'000	Financial Year Ended 30/06/2004 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Year Ended 30/06/2004 RM'000
Operating activities				
Profit before taxation	722,178	528,721	1,530,057	514,349
Adjustments for:				
- Non cash items	466,199	615,490	453,034	455,242
- Investment income	(219,813)	(102,702)	(1,056,065)	(416,424)
Income taxes and zakat paid	(183,026)	(207,380)	(170,197)	(98,460)
Changes in working capital	(4,355,960)	7,873,102	(967,142)	7,145,046
Net cash flow from operating activities	<u>(3,570,422)</u>	<u>8,707,231</u>	<u>(210,313)</u>	<u>7,599,753</u>
Investing activities				
Net purchase of investment securities	1,186,013	(2,666,490)	889,638	(2,770,867)
Interest and dividend received on investment securities	165,666	96,996	749,859	318,879
Capital return on investment in subsidiaries	-	-	-	300,000
Capital injection on investment in subsidiaries			(50,000)	-
Net purchase of property, plant & equipment	(47,636)	(47,205)	(47,636)	(42,838)
Net cash flow from investing activities	<u>1,304,043</u>	<u>(2,616,699)</u>	<u>1,541,861</u>	<u>(2,194,826)</u>
Financing activities				
Proceeds from issuance of new shares	-	576,041	-	576,041
Dividend paid	(271,809)	(440,920)	(271,809)	(440,920)
Purchase of Treasury Shares	(274,375)	-	(274,375)	-
Net cash flow from financing activities	<u>(546,184)</u>	<u>135,121</u>	<u>(546,184)</u>	<u>135,121</u>
Changes in cash and cash equivalents	(2,812,563)	6,225,653	785,364	5,540,048
Currency translation differences	1,495	10,566	1,495	10,566
Net cash vested over from a subsidiary company	-	-	172,590	-
Cash and cash equivalents at the beginning of year	13,935,646	7,699,427	10,166,102	4,615,488
Cash and cash equivalents at the end of year	11,124,578	13,935,646	11,125,551	10,166,102

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED 30 JUNE 2005

1 Basis of preparation

The condensed financial statements of the Group and of the Bank have been prepared in accordance with Financial Reporting Standard ("FRS") 134: Interim Financial Reporting (previously known as MASB 26) issued by the Malaysian Accounting Standard Board ("MASB") and Chapter 9, Part K of the Listing Requirements of the Bursa Malaysia Securities Berhad and should be read in conjunction with the Group's audited annual financial statements for the year ended 30 June 2004.

The accounting policies and methods of computation adopted in these condensed financial statements are consistent with those adopted in the audited annual financial statements for the year ended 30 June 2004.

2 Status of matters giving rise to the auditor's qualified report in the preceding annual financial statements for the year ended 30 June 2004.

There was no qualified report issued by the auditors in the preceding annual financial statements for the year ended 30 June 2004.

3 Seasonality or cyclicity of operations

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

4 Exceptional items or unusual events affecting financial statements

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

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

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

6 Issuance and repayment of debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial year ended 30 June 2005 other than as mentioned below:-

On 2 November 2004, the shareholders of the Bank approved the purchase of own shares by the Bank. During the financial year ended 30 June 2005, the Bank purchased a total of 51,542,700 of its issued share capital from the open market. The shares purchased are being held as treasury shares in accordance with the provision of Section 67A of the Companies Act, 1965.

Details of the shares bought back for the financial year ended 30 June 2005 are as follows:

Month	No of shares bought back	Lowest price paid RM	Highest price paid RM	Average price paid RM	Total Consideration (including transaction cost) RM
Nov-04	4,786,300	5.05	5.15	5.14	24,683,604
Dec-04	180,300	5.35	5.40	5.39	972,504
Jan-05	-	-	-	-	-
Feb-05	4,139,600	5.30	5.40	5.35	22,132,206
Mar-05	33,776,900	5.15	5.40	5.35	181,382,473
Apr -05	5,528,600	5.05	5.35	5.22	28,924,296
May-05	262,000	5.15	5.15	5.15	1,352,736
June-05	2,869,000	5.15	5.20	5.19	14,926,704
For the Period	51,542,700	5.05	5.40	5.31	274,374,523

The total number of shares held as treasury shares as at 30 June 2005 was 51,542,700 at an average price per share of RM5.31

7 Dividends Paid

A final dividend of 15.5 sen per share less income tax at 28% in respect of financial year ended 30 June 2004 was paid on 23 November 2004. An interim dividend of 8.5 sen per share less income tax at 28% in respect of half year ended 31 December 2004 amounting to RM95.5 million was paid on 30 March 2005.

8 (a) Group segmental reporting on revenue, profit and assets

<u>By Business Segment</u>	Current Quarter Ended 30/6/2005			
	Personal Financial Services RM'000	Business Banking RM'000	Treasury RM'000	Total RM'000
External revenue	151,889	61,293	146,398	359,580
Inter-segment revenue	143,660	(26,652)	(117,008)	-
Segment revenue	<u>295,549</u>	<u>34,641</u>	<u>29,390</u>	<u>359,580</u>
Segment profit before taxation	136,215	1,075	20,048	157,338
Taxation and zakat				<u>(43,405)</u>
Net profit for the year				<u>113,933</u>

<u>By Business Segment</u>	Financial Year Ended 30/6/2005			
	Personal Financial Services RM'000	Business Banking RM'000	Treasury RM'000	Total RM'000
External revenue	478,683	330,465	654,831	1,463,979
Inter-segment revenue	561,369	(93,014)	(468,355)	-
Segment revenue	<u>1,040,052</u>	<u>237,451</u>	<u>186,476</u>	<u>1,463,979</u>
Segment profit before taxation	444,781	150,352	127,045	722,178
Taxation and zakat				<u>(202,444)</u>
Profit after taxation				<u>519,734</u>
Segment assets	19,276,787	6,509,949	30,267,284	56,054,020
Unallocated assets				<u>1,569,635</u>
Total assets				<u>57,623,655</u>

8 (a) Group segmental reporting on revenue, profit and assets (continued)

<u>By Business Segment</u>	Current Quarter Ended 30/6/2004			
	Personal Financial Services RM'000	Business Banking RM'000	Treasury RM'000	Total RM'000
External revenue	135,386	49,120	161,922	346,428
Inter-segment revenue	149,018	(31,047)	(117,971)	-
Segment revenue	<u>284,404</u>	<u>18,073</u>	<u>43,951</u>	<u>346,428</u>
Segment profit before taxation	153,092	(57,486)	32,135	127,741
Taxation and zakat				<u>(33,549)</u>
Net profit for the year				<u>94,192</u>

<u>By Business Segment</u>	Financial Year Ended 30/6/2004			
	Personal Financial Services RM'000	Business Banking RM'000	Treasury RM'000	Total RM'000
External revenue	518,650	339,902	535,669	1,394,221
Inter-segment revenue	593,572	(137,597)	(455,975)	-
Segment revenue	<u>1,112,222</u>	<u>202,305</u>	<u>79,694</u>	<u>1,394,221</u>
Segment profit before taxation	555,112	(81,474)	55,083	528,721
Taxation and zakat				<u>(146,761)</u>
Profit after taxation				<u>381,960</u>
Segment assets	16,536,040	6,680,203	23,887,910	47,104,153
Unallocated assets				<u>1,956,252</u>
Total assets				<u>49,060,405</u>

8 (b) Segmental reporting on loans, advances and financing analysed by their economic purposes

	The Group		The Bank	
	Financial Year Ended 30/6/2005 RM'000	Financial Year Ended 30/06/2004 RM'000	Financial Year Ended 30/6/2005 RM'000	Financial Year Ended 30/06/2004 RM'000
Agriculture	246,693	248,421	246,095	223,528
Mining & quarrying	38,446	42,582	38,413	30,587
Manufacturing	2,360,939	2,535,916	2,351,112	2,338,797
Electricity, gas & water	33,704	130,258	33,704	114,075
Construction	902,252	1,130,972	901,480	630,179
Real estate	309,686	202,245	309,686	136,093
Purchase of landed property:				
- residential	8,550,269	6,722,110	8,550,269	5,552,797
- non-residential	2,495,970	2,043,788	2,495,970	1,801,916
General commerce	1,883,913	1,739,877	1,883,421	1,558,393
Transport, storage & Communication	290,738	316,193	290,738	244,968
Finance, insurance & business services	573,333	771,190	574,509	657,464
Purchase of securities	847,963	983,091	846,663	624,350
Purchase of transport vehicles	4,883,632	4,977,242	4,883,632	6,471
Consumption credit	2,134,258	1,871,167	2,134,258	1,870,762
Others	1,293,506	1,131,197	1,292,902	808,018
Total	26,845,302	24,846,249	26,832,852	16,598,398

8 (c) Non-performing loans

	The Group		The Bank	
	Financial Year Ended <u>30/6/2005</u> RM'000	Financial Year Ended <u>30/06/2004</u> RM'000	Financial Year Ended <u>30/6/2005</u> RM'000	Financial Year Ended <u>30/06/2004</u> RM'000
Opening balance @ July 1	2,775,205	2,819,191	1,416,731	1,375,625
Non-performing during the year (gross)	2,779,219	2,687,510	2,723,841	1,482,356
Accrued interest	228,196	125,338	217,572	114,655
Amount recovered	(624,402)	(556,174)	(601,680)	(326,765)
NPL classified as performing	(2,151,406)	(1,906,473)	(2,103,993)	(990,467)
Amount transferred from subsidiary company	-	-	1,226,687	-
Amount written off	(997,973)	(396,224)	(878,053)	(240,710)
Exchange difference	1,772	2,037	1,772	2,037
Closing balance @ June 30	<u>2,010,611</u>	<u>2,775,205</u>	<u>2,002,877</u>	<u>1,416,731</u>
Total non-performing loans (and financing) less IIS and SP@ June 30	<u>1,160,921</u>	<u>1,266,106</u>	<u>1,160,886</u>	<u>612,535</u>
(as a % of total loans less IIS and SP)	4.5%	5.4%	4.5%	3.9%

8 (d) Loan loss provision

Movements in the provision for bad and doubtful debts (and financing) and interest-in-suspense (income-in-suspense) accounts are as follows:

	The Group		The Bank	
	Financial Year Ended	Financial Year Ended	Financial Year Ended	Financial Year Ended
	30/6/2005	30/06/2004	30/6/2005	30/06/2004
	RM'000	RM'000	RM'000	RM'000
General provision (GP)				
Opening balance @ July 1	366,955	365,887	248,162	212,506
Provisions made/(write back) during the year	45,697	864	47,311	35,452
Amount transferred from subsidiary company	-	-	117,119	-
Exchange difference	225	204	225	204
Closing balance @ June 30	<u>412,877</u>	<u>366,955</u>	<u>412,817</u>	<u>248,162</u>
(as % of total loans less IIS and SP)	1.6%	1.6%	1.6%	1.6%
Specific provision (SP)				
Opening balance @ July 1	868,043	789,517	516,854	445,375
Provisions made during the year	304,207	531,472	292,367	326,220
Amount recovered	(101,309)	(126,415)	(89,323)	(45,901)
Amount transferred to provision for diminution in value	(904)	(21,177)	(904)	(21,177)
Amount transferred from subsidiary Company	-	-	286,997	-
Amount written off	(605,675)	(306,987)	(547,204)	(189,296)
Exchange difference	892	1,633	892	1,633
Closing balance @ June 30	<u>465,254</u>	<u>868,043</u>	<u>459,679</u>	<u>516,854</u>

8 (d) Loan loss provision (continued)

	The Group		The Bank	
	Financial Year Ended 30/6/2005	Financial Year Ended 30/06/2004	Financial Year Ended 30/6/2005	Financial Year Ended 30/06/2004
Interest-in-suspense (income-in-suspense)	RM'000	RM'000	RM'000	RM'000
Opening balance @ July 1	641,056	619,551	287,342	274,587
Provisions made during the year	370,231	280,001	300,455	148,887
Amount recovered	(239,028)	(147,594)	(224,249)	(70,833)
Amount transferred to provision for diminution in value	-	(1,059)	-	(1,059)
Amount transferred from subsidiary company	-	-	300,455	-
Amount written off	(386,062)	(110,351)	(326,416)	(64,748)
Exchange difference	239	508	239	508
Closing balance @/June 30	<u>384,436</u>	<u>641,056</u>	<u>382,312</u>	<u>287,342</u>

8 (e) Amount recoverable from Danaharta

	The Group		The Bank	
	Financial Year Ended 30/6/2005	Financial Year Ended 30/06/2004	Financial Year Ended 30/6/2005	Financial Year Ended 30/06/2004
Opening balance @ July 1	-	8,356	-	4,174
Amount arising during the year	-	-	-	-
Provision made during the year	-	(8,356)	-	(4,174)
Written back on final settlement	-	-	-	-
Amount recovered	-	-	-	-
Closing balance @ June 30	-	-	-	-

9 Property, plant and equipment

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

10 Material events subsequent to the end of the reporting period

Other than as disclosed in Note 8 under Additional Information required by Bursa Malaysia Securities Berhad's Listing Requirements, there was no material events subsequent to the end of the financial year ended 30 June 2005 to be disclosed.

11 Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial year ended 30 June 2005 except for the following:-

- Visia Nominees Sdn Bhd (“Visia”), a wholly-owned subsidiary of Hong Leong Finance Berhad, had been put under voluntary winding-up. Visia was dissolved on 20 November 2004.
- Hong Leong Islamic Bank Berhad (“HLIB”), a wholly-owned subsidiary of Hong Leong Bank Berhad, was incorporated on 28 March 2005 for the purpose of undertaking the Islamic banking business pursuant to subsection 3(4) of the Islamic Banking Act, 1983.
- The Bank had on 28 June 2005, announced that Minister of Finance had granted an Islamic banking licence to HLIB and a Vesting Order had also been obtained from the High Court of Malaya for the transfer and vesting of the Islamic banking business of HLB to HLIB. Effective 1 July 2005, the Islamic banking business would be conducted through HLIB.
- On 16 June 2005, the Bank announced that it had entered into a Sale and Purchase Agreement with HLCM Capital Sdn Bhd (“HLCM Capital”) to dispose of its 100% equity interest in Credit Corporation (Malaysia) Sdn Bhd comprising two (2) ordinary shares of RM1.00 each to HLCM Capital for cash consideration of RM5,000.00 (“Proposed Disposal”). The approval of the Foreign Investment Committee for the Proposed Disposal has been obtained and the Proposed Disposal was completed on 25 August 2005.

12 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 Year Ended 30/6/2005		Financial Year Ended 30/06/2004	
	Principal Amount RM'000	Credit Equivalent RM'000	Principal Amount RM'000	Credit Equivalent RM'000
The Group				
Direct credit substitutes	161,538	161,538	156,131	156,131
Transaction-related contingent items	308,963	154,482	433,562	216,781
Short-term self liquidating trade-related contingencies	469,936	93,987	482,815	96,563
Other assets sold with recourse and commitments with certain drawdown	-	-	-	-
Underwriting obligation	-	-	62,214	31,107
Irrevocable commitments to extend credit				
-maturity more than 1 year	4,122,753	2,061,377	3,856,852	1,928,426
-maturity less than 1 year	9,181,257	-	8,409,576	-
Foreign exchange related contracts	7,639,221	158,934	4,659,469	63,814
Interest rate related contracts	16,389,047	74,294	2,083,591	33,797
Equity related contracts	106,922	1,604	55,335	415
Miscellaneous	694	-	556	-
Total	38,380,331	2,706,216	20,200,101	2,527,034

12 Commitments and contingencies (continued)

	Financial Year Ended 30/6/2005		Financial Year Ended 30/06/2004	
	Principal Amount RM'000	Credit Equivalent RM'000	Principal Amount RM'000	Credit Equivalent RM'000
The Bank				
Direct credit substitutes	161,538	161,538	155,369	155,369
Transaction-related contingent items	308,963	154,482	433,562	216,781
Short-term self liquidating trade- related contingencies	465,938	93,188	476,949	95,390
Other assets sold with recourse and commitments with certain drawdown	-	-	-	-
Underwriting obligation	-	-	62,214	31,107
Irrevocable commitments to extend Credit				
-maturity more than 1 year	4,122,753	2,061,377	3,365,884	1,682,942
-maturity less than 1 year	9,181,257	-	7,854,821	-
Foreign exchange related contracts	7,639,221	158,934	4,659,469	63,814
Interest rate related contracts	16,389,047	74,294	2,343,591	44,533
Equity related contracts	106,922	1,604	55,335	415
Miscellaneous	694	-	556	-
Total	38,376,333	2,705,417	19,407,750	2,290,351

13 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.

**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 RM157.3 million for the current financial quarter ended 30 June 2005, an increase of RM29.6 million as compared to previous corresponding quarter. Turnover increased by RM13.2 million, spurred by higher conventional non-interest income of RM6.1 million while Islamic Banking income also increased by RM21.1 million. Loan loss provision declined by RM30.1 million arising from lower specific provisions charged coupled with higher bad debts recoveries.

The Bank recorded a higher pre-tax profit of RM186.6 million versus the previous corresponding quarter of RM92.4 million due to the income earned from the larger asset base as a result of Hong Leong Finance merger into the Bank on August 2004

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

The Group's pre-tax profit for the financial year ended 30 June 2005 stood at RM722.2 million, an increase of RM193.5 million as compared to RM528.7 million in the previous corresponding year. Total income increased by RM69.8 million, mainly from non-interest income and islamic operations. Loan loss provision declined significantly due to absence of lumpy specific provisions made in the previous corresponding quarter.

The Bank recorded an increase of RM1,015.7 million from last year's pre-tax profit of RM514.3 million, mainly from dividend income amounting to RM812.3 million received from Hong Leong Finance during the financial year.

2 Review of performance of current quarter against preceding quarter

For the current financial quarter, the Group recorded a pre-tax profit of RM157.3 million as compared to RM188.1 million in the preceding quarter, a decrease of RM30.8 million. Turnover decreased by RM13.7 million while loan loss provision increased by RM8.5 million, mainly from higher specific provision charged.

3 Prospect for the new financial year 2005/2006

The Group is optimistic of delivering better results, through leveraging on innovative products in the new 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 30/6/2005 RM'000	Corresponding Quarter Ended 30/06/2004 RM'000	Financial Year Ended 30/6/2005 RM'000	Financial Year Ended 30/06/2004 RM'000
The Group				
Malaysian income tax	46,898	23,170	215,459	141,919
Overseas tax	-	-	-	-
	<u>46,898</u>	<u>23,170</u>	<u>215,459</u>	<u>141,919</u>
Under/(Over) provision in prior year	(40,502)	15,397	(40,502)	15,397
Transfer from/ (to) deferred taxation	36,994	(5,038)	27,442	(10,575)
	<u>43,390</u>	<u>33,529</u>	<u>202,444</u>	<u>146,741</u>
The Bank				
Malaysian income tax	45,477	24,599	434,894	154,207
Overseas tax	-	-	-	-
	<u>45,477</u>	<u>24,599</u>	<u>434,894</u>	<u>154,207</u>
Under provision in prior year	(23,841)	2,204	(23,841)	2,204
Transfer from/(to) deferred taxation	22,716	(1,728)	13,164	(11,397)
	<u>44,352</u>	<u>25,075</u>	<u>424,217</u>	<u>145,014</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 year under review.

7 Purchase and disposal of quoted securities

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

8 Status of corporate proposals

There are no outstanding corporate proposal for the current financial year except for the following :-

On 6 June 2005, the Bank announced that Bank Negara Malaysia had no objection to a proposed issuance of United States Dollar Subordinated Debt by the Bank to raise funds to be utilised for general banking and other corporate purposes ("Proposed Issuance"). The Proposed Issuance had been approved by Securities Commission on 22 June 2005.

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 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 any time 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.

9 Group Borrowings

This note is not applicable to the Group.

10 Deposits and debt securities

	The Group		The Bank	
	Financial Year Ended 30/6/2005 RM'000	Financial Year Ended 30/06/2004 RM'000	Financial Year Ended 30/6/2005 RM'000	Financial Year Ended 30/06/2004 RM'000
Deposits from customers				
Fixed deposits and negotiable instruments	29,951,934	28,394,619	30,014,327	17,634,030
Others	9,964,556	9,407,639	9,976,363	8,489,189
	<u>39,916,490</u>	<u>37,802,258</u>	<u>39,990,690</u>	<u>26,123,219</u>
The maturity structure of fixed deposits and negotiable instruments :				
One year or less (short term)	29,878,080	28,296,944	29,940,473	17,596,440
More than one year (medium/long term)	73,854	97,675	73,854	37,590
	<u>29,951,934</u>	<u>28,394,619</u>	<u>30,014,327</u>	<u>17,634,030</u>

10 Deposits and debt securities (continued)

	The Group		The Bank	
	Financial Year Ended 30/6/2005 RM'000	Financial Year Ended 30/06/2004 RM'000	Financial Year Ended 30/6/2005 RM'000	Financial Year Ended 30/06/2004 RM'000
Deposits and placements of banks and other financial institutions				
Licensed banks	2,066,162	1,323,369	2,066,162	1,203,369
Other financial institutions	-	128,150	-	454,100
	<u>2,066,162</u>	<u>1,451,519</u>	<u>2,066,162</u>	<u>1,657,469</u>
The maturity structure of deposits and placements of banks and other financial institutions :				
One year or less (short term)	2,066,162	1,451,519	2,066,162	1,657,469
More than one year (medium/long term)	-	-	-	-
	<u>2,066,162</u>	<u>1,451,519</u>	<u>2,066,162</u>	<u>1,657,469</u>

11 Floating Rate Certificate of Deposits

The Group and The Bank

	Financial Year Ended 30/6/2005 RM'000	Financial Year Ended 30/06/2004 RM'000
Floating rate certificate of deposits - USD110 million	<u>417,916</u>	<u>-</u>

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

11 Off-Balance Sheet Financial instruments

Details of financial instruments with off-balance sheet risk as at 30 June 2005:

The Group

Items	Principal Amount	1 mth or less	>1 – 3 Mths	>3 – 6 mths	>6 –12 Mths	>1 – 5 Yrs	>5 yrs	Margin Requirement
RM'000								
Foreign exchange related contracts								
- forwards	3,024,415	1,214,491	1,624,248	131,155	54,521	-	-	-
- swaps	3,875,196	1,986,910	1,357,387	530,899	-	-	-	-
- options	739,610	390,077	236,006	108,937	4,590	-	-	-
Interest rate related contracts								
- forwards	-	-	-	-	-	-	-	-
- futures	12,867,000	380,000	1,186,000	1,111,000	2,377,000	7,813,000	-	-
- swaps	3,522,047	-	20,000	-	368,895	3,133,152	-	-
Total	24,028,268	3,971,478	4,423,641	1,881,991	2,805,006	10,946,152	-	-

The Bank

Items	Principal Amount	1 mth or less	>1 – 3 Mths	>3 – 6 mths	>6 –12 Mths	>1 – 5 Yrs	>5 yrs	Margin Requirement
RM'000								
Foreign exchange related contracts								
- forwards	3,024,415	1,214,491	1,624,248	131,155	54,521	-	-	-
- swaps	3,875,196	1,986,910	1,357,387	530,899	-	-	-	-
- options	739,610	390,077	236,006	108,937	4,590	-	-	-
Interest rate related contracts								
- forwards	-	-	-	-	-	-	-	-
- futures	12,867,000	380,000	1,186,000	1,111,000	2,377,000	7,813,000	-	-
- swaps	3,522,047	-	20,000	-	368,895	3,133,152	-	-
Total	24,028,268	3,971,478	4,423,641	1,881,991	2,805,006	10,946,152	-	-

11 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 year, the amount of contracts which were not hedged and hence, exposed to foreign exchange and interest rate market risk were RM552,922,000 (FYE June 2004: RM228,765,000) and RM4,592,978,000 (FYE June 2004: RM1,533,591,000) respectively.

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial year, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM69,528,000 (FYE June 2004: RM10,689,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Related accounting policies

The accounting policies applied for recognising the financial instruments concerned are the same as those applied for the audited annual financial statements.

12 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.

13 Dividend

A final dividend of 15.5 sen per share less income tax of 28% has been proposed for the current quarter.

- (i) Amount per share: 15.5 sen (less 28% taxation).
- (ii) Previous corresponding quarter: 15.5 sen per share (less 28% taxation).
- (iii) Entitlement date: to be announce later
- (iv) Payment date: to be announce later

The total dividend for the current financial year (amount per share): 24.0 sen less tax at 28%.

14 Earnings per share

a) Basic earnings per share

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

	Current Quarter Ended 30/6/2005 RM'000	Corresponding Quarter Ended 30/6/2004 RM'000	Financial Year Ended 30/6/2005 RM'000	Financial Year Ended 30/6/2004 RM'000
<u>The Group</u>				
Profit after taxation	113,933	94,192	519,734	381,960
Weighted average number of ordinary shares in issue ('000)	1,580,107	1,580,107	1,580,107	1,560,520
Less Treasury shares held	(24,306)	-	(16,378)	-
	1,555,801	1,580,107	1,563,729	1,560,520
Basic earnings per share (sen)	7.3	6.0	33.2	24.5
<u>The Bank</u>				
Profit after taxation	142,200	67,268	1,105,795	369,315
Weighted average number of ordinary Shares in issue ('000)	1,555,801	1,580,107	1,563,729	1,560,520
Less Treasury shares held	-	-	-	-
	1,555,801	1,580,107	1,563,729	1,560,520
Basic earnings per share (sen)	9.1	4.3	70.7	23.7

14 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 30/6/2005 RM'000	Corresponding Quarter Ended 30/06/2004 RM'000	Financial Year Ended 30/6/2005 RM'000	Financial Year Ended 30/06/2004 RM'000
<u>The Group</u>				
Profit after taxation	113,933	94,192	519,734	381,960
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the year	1,555,801	1,580,107	1,563,729	1,560,520
- adjustment for ESOS	-	-	-	-
	1,555,801	1,580,107	1,563,729	1,560,520
Fully diluted earnings per share (sen)	7.3	6.0	33.2	24.5
<u>The Bank</u>				
Profit after taxation	142,200	67,268	1,105,795	369,315
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the year	1,555,801	1,580,107	1,563,729	1,560,520
- adjustment for ESOS	-	-	-	-
	1,555,801	1,580,107	1,563,729	1,560,520
Fully diluted earnings per share (sen)	9.1	4.3	70.7	23.7