

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Balance Sheet As At 30 September 2005

	The Group		The Bank	
	Financial Period Ended 30/09/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 30/09/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
<u>ASSETS</u>				
Cash and short-term funds	9,241,442	11,124,578	8,693,541	11,125,551
Deposits and placements with financial institutions	6,124,211	3,537,614	6,124,211	3,537,614
Securities purchased under resale agreements	10,021,448	9,928,492	10,021,448	9,928,492
Securities held-for-trading	1,837,174	2,633,939	1,418,405	2,633,939
Securities available-for-sale	5,011,317	2,368,564	4,900,862	2,368,564
Securities held-to-maturity	916,055	1,003,385	541,312	1,003,385
Loans, advances and financing	26,021,563	25,582,735	22,421,852	25,578,044
Other assets	318,347	242,109	208,549	239,763
Statutory deposits with Bank Negara Malaysia	732,948	839,600	608,200	839,600
Investment in subsidiary companies	-	-	522,041	72,041
Property, plant and equipment	253,889	244,392	238,344	229,835
Deferred tax assets	108,629	114,886	89,906	114,886
Total Assets	60,587,023	57,620,294	55,788,671	57,671,714
<u>LIABILITIES AND SHAREHOLDERS' FUNDS</u>				
Deposits from customers	43,096,959	39,916,490	38,908,675	39,990,690
Deposits and placements of banks and other financial institutions	2,020,038	2,066,162	1,951,934	2,066,162
Obligations on securities sold under repurchase agreements	8,223,606	9,521,596	7,857,100	9,521,596
Bills and acceptance payable	703,750	568,895	699,180	564,897
Floating rate certificate of deposits	414,562	417,916	414,562	417,916
Other liabilities	793,974	695,178	678,458	712,946
Subordinated bonds	753,900	-	753,900	-
Provision for taxation	41,151	36,520	-	-
Total Liabilities	56,047,940	53,222,757	51,263,809	53,274,207
Share capital	1,580,107	1,580,107	1,580,107	1,580,107
Reserves	3,236,530	3,091,805	3,222,309	3,091,775
Less: Treasury shares	(277,554)	(274,375)	(277,554)	(274,375)
Total Shareholders' Funds	4,539,083	4,397,537	4,524,862	4,397,507
Total Liabilities and Shareholders' Funds	60,587,023	57,620,294	55,788,671	57,671,714
<u>COMMITMENTS AND CONTINGENCIES</u>				
	38,236,120	38,380,331	37,885,872	38,376,333
<u>CAPITAL ADEQUACY</u>				
<u>Before deducting proposed dividends</u>				
Core capital ratio	15.06%	15.84%	17.45%	15.85%
Risk-weighted capital ratio	19.11%	17.37%	19.79%	17.11%
<u>After deducting proposed dividends</u>				
Core capital ratio	14.46%	15.21%	16.76%	15.22%
Risk-weighted capital ratio	18.51%	16.74%	19.10%	16.48%
Net tangible asset per share (RM)	2.97	2.88	2.96	2.88

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Income Statement
For The Financial Quarter Ended 30 September 2005

The Group

	Current Quarter Ended 30/09/2005 RM'000	Corresponding Quarter Ended 30/09/2004 RM'000	Current Year Ended 30/09/2005 RM'000	Corresponding Year Ended 30/09/2004 RM'000
Interest income	565,489	525,096	565,489	525,096
Interest expense	(328,209)	(276,256)	(328,209)	(276,256)
Net interest income	237,280	248,840	237,280	248,840
Net income from Islamic Banking business	39,779	24,444	39,779	24,444
Other operating income	102,609	82,012	102,609	82,012
Net income	379,668	355,296	379,668	355,296
Other operating expenses	(149,134)	(134,650)	(149,134)	(134,650)
Operating profit before provision	230,534	220,646	230,534	220,646
Allowances for losses on loans and financing	(30,008)	(25,621)	(30,008)	(25,621)
Impairment loss - securities	(3,039)	-	(3,039)	-
Profit before taxation (and zakat)	197,487	195,025	197,487	195,025
Taxation	(55,341)	(54,807)	(55,341)	(54,807)
Zakat	(15)	-	(15)	-
Profit after taxation	142,131	140,218	142,131	140,218
Profit attributable to shareholders	142,131	140,218	142,131	140,218
Earnings per share - basic (sen)	9.3	8.9	9.3	8.9
Earnings per share - fully diluted (sen)	9.3	8.9	9.3	8.9

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Income Statement
For The Financial Quarter Ended 30 September 2005

	The Bank			
	Current Quarter Ended 30/09/2005 RM'000	Corresponding Quarter Ended 30/09/2004 RM'000	Current Year Ended 30/09/2005 RM'000	Corresponding Year Ended 30/09/2004 RM'000
Interest income	570,029	473,094	570,029	473,094
Interest expense	(332,944)	(250,640)	(332,944)	(250,640)
Net interest income	237,085	222,454	237,085	222,454
Net income from Islamic Banking business	-	20,720	-	20,720
Other operating income	102,174	78,152	102,174	78,152
Net income	339,259	321,325	339,259	321,325
Other operating expenses	(128,888)	(128,546)	(128,888)	(128,546)
Operating profit before provision	210,371	192,779	210,371	192,779
Allowances for losses on loans and financing	(28,133)	(21,446)	(28,133)	(21,446)
Impairment loss - securities	(3,039)	-	(3,039)	-
Profit before taxation (and zakat)	179,199	171,333	179,199	171,333
Taxation	(50,481)	(48,765)	(50,481)	(48,765)
Zakat	-	-	-	-
Profit after taxation	128,718	122,568	128,718	122,568
Profit attributable to shareholders	128,718	122,568	128,718	122,568
Earnings per share - basic (sen)	8.4	7.8	8.4	7.8
Earnings per share - fully diluted (sen)	8.4	7.8	8.4	7.8

Condensed Financial Statements
Hong Leong Bank Berhad
Statement of Changes in Equity For The Period Ended 30 September 2005

The Group	← Non-distributable →					Distributable		Total RM'000	
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair Vale Reserve RM'000	Exchange Fluctuation Reserve RM'000	Merger Deficit RM'000	Retained Profit RM'000		Treasury Shares RM'000
As at 1 July 2005									
As previously stated	1,580,107	539,664	1,479,216		36,153	-	1,040,133	(274,375)	4,400,898
Prior Year Adjustment	-	-	-	819	-	-	(4,180)	-	(3,361)
As at 1 July 2005, as restated	1,580,107	539,664	1,479,216	819	36,153	-	1,035,953	(274,375)	4,397,537
<i>Currency translation differences</i>	-	-	-	-	(1,904)	-	-	-	(1,904)
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	(1,904)	-	-	-	(1,904)
Net profit for the period	-	-	-	-	-	-	142,131	-	142,131
Unrealised gain arising from the change in fair value of available-of-sales securities	-	-	-	9,043	-	-	-	-	9,043
Fair value reserve realised on disposal of available-for-sale securities	-	-	-	(2,825)	-	-	-	-	(2,825)
Deferred Tax	-	-	-	(1,720)	-	-	-	-	(1,720)
Transfer to statutory reserve	-	-	38,318	-	-	-	(38,318)	-	-
less: Treasury shares	-	-	-	-	-	-	-	(3,179)	(3,179)
Closing Balance @ 30 September 2005	1,580,107	539,664	1,517,534	5,317	34,249	-	1,139,766	(277,554)	4,539,083
As at 1 July 2004									
As previously stated	1,580,107	539,664	1,716,919		34,303	(73,800)	628,305	-	4,425,498
Prior Year Adjustment	-	-	-	(2,410)	-	-	2,113	-	(297)
As at 1 July 2004, as restated	1,580,107	539,664	1,716,919	(2,410)	34,303	(73,800)	630,418	-	4,425,201
<i>Currency translation differences</i>	-	-	-	-	1,121	-	-	-	1,121
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	1,121	-	-	-	1,121
Net profit for the period	-	-	-	-	-	-	140,218	-	140,218
Fair value reserve realised on disposal of available-for-sale securities	-	-	-	(531)	-	-	-	-	(531)
Deferred Tax	-	-	-	149	-	-	-	-	149
Transfer to statutory reserve	-	-	(483,117)	-	-	-	483,117	-	-
Dividend paid	-	-	-	-	-	-	-	-	-
Closing Balance @ 30 September 2004	1,580,107	539,664	1,233,802	(2,792)	35,424	(73,800)	1,253,753	-	4,566,158

Condensed Financial Statements
Hong Leong Bank Berhad
Statement of Changes in Equity For The Period Ended 30 September 2005

	← Non-distributable →				Distributable			Total RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair vale reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Profit RM'000	Treasury Shares RM'000	
The Bank								
As at 1 July 2005								
As previously stated	1,580,107	539,664	1,479,216	-	36,153	1,040,103	(274,375)	4,400,868
Prior Year Adjustment	-	-	-	819	-	(4,180)	-	(3,361)
As at 1 July 2005, as restated	1,580,107	539,664	1,479,216	819	36,153	1,035,923	(274,375)	4,397,507
<i>Currency translation differences</i>	-	-	-	-	(1,904)	-	-	(1,904)
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	(1,904)	-	-	(1,904)
Net profit for the period	-	-	-	-	-	128,718	-	128,718
Unrealised profit arising from the change in fair value of available-of-sales securities	-	-	-	8,265	-	-	-	8,265
Fair value reserve realised on disposal of available-for-sale securities	-	-	-	(2,825)	-	-	-	(2,825)
Deferred Tax	-	-	-	(1,720)	-	-	-	(1,720)
Transfer to statutory reserve	-	-	32,180	-	-	(32,180)	-	-
less: Purchase of Treasury Shares	-	-	-	-	-	-	(3,179)	(3,179)
Closing Balance @ 30 September 2005	1,580,107	539,664	1,511,396	4,539	34,249	1,132,461	(277,554)	4,524,862
As at 1 July 2004								
As previously stated	1,580,107	539,664	1,202,767	-	34,303	482,566	-	3,839,407
Prior Year Adjustment	-	-	-	(2,410)	-	2,113	-	(297)
As at 1 July 2004, as restated	1,580,107	539,664	1,202,767	(2,410)	34,303	484,688	-	3,839,119
<i>Currency translation differences</i>	-	-	-	-	1,121	-	-	1,121
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	1,121	-	-	1,121
Net profit for the period	-	-	-	-	-	122,568	-	122,568
Unrealised loss arising from the change in fair value of available-of-sales securities	-	-	-	(531)	-	-	-	(531)
Deferred Tax	-	-	-	149	-	-	-	149
Transfer to statutory reserve	-	-	31,035	-	-	(31,035)	-	-
Closing Balance @ 30 September 2004	1,580,107	539,664	1,233,802	(2,792)	35,424	576,221	-	3,962,426

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Condensed Cash Flow Statement
For The Financial Period Ended 30 September 2005

	The Group		The Bank	
	Financial Period Ended 30/09/2005 RM'000	Financial Year Ended 30/09/2004 RM'000	Financial Period Ended 30/09/2005 RM'000	Financial Period Ended 30/09/2004 RM'000
Operating activities				
Profit before taxation	197,487	195,025	179,199	171,333
Adjustments for non-cash items	215	148,367	5,337	(13,596)
Operating profit before working capital changes	197,702	343,392	184,536	157,737
Income taxes and zakat paid	(66,509)	(41,473)	(66,228)	(32,181)
Net changes in working capital	(2,037,216)	(511,163)	(2,732,851)	8,985,404
Net cash flow from operating activities	(1,906,023)	(209,244)	(2,614,543)	9,110,960
Net cash flow from investing activities	38,126	(819,784)	197,772	(819,784)
Net cash flow from financing activities	(3,179)	-	(3,179)	-
Changes in cash and cash equivalents	(1,871,076)	(1,029,028)	(2,419,950)	8,291,176
Currency translation differences	(12,060)	1,397	(12,060)	1,397
Cash and cash equivalents at the beginning of year	11,124,578	13,935,646	11,125,551	4,615,488
Cash and cash equivalents at the end of period	9,241,442	12,908,015	8,693,541	12,908,061

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 2005.

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

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

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

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

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

3 Seasonality or cyclicity of operations

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

4 Exceptional items or unusual events affecting financial statements

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

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

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

6 Issuance and repayment of debt and equity securities

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

a) Share Buy-back

During the financial period ended 30 September 2005, the Bank purchased a total of 610,000 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 30 September 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
July-05	610,000	5.20	5.20	5.20	3,179,861.80
Aug-05	-	-	-	-	-
Sep-05	-	-	-	-	-
For the Period	610,000	5.20	5.20	5.20	3,179,861.80

The total number of shares bought back, all of which were held as treasury shares as at 30 September 2005 amounted to 52,152,700 shares, at an average price per share of RM5.31. None of the treasury shares were resold or cancelled to date.

b) Subordinated Bonds

On 3 August 2005, the Bank issued USD200 million in aggregate principal amount of Subordinated Bonds ("the Bonds") due 2015 callable with step-up in 2010. The Bonds bear interest at the rate of 5.25% per annum from, and including 3 August 2005 to, but excluding 3 August 2010 and, thereafter, at a rate per annum equal to the 5 Year US Treasury Rate plus 2.717%. The interest is payable semi-annually in arrears on 3 February and 3 August in each year, commencing on 3 February 2006. The Bonds were issued at a price of 99.848 per cent of the principal amount of the Bonds. The Bonds will, subject to the prior written approval of Bank Negara Malaysia, if required, be redeemable in whole but not in part, at the option of the Bank on 3 August 2010 or in the event of certain changes affecting taxation in Malaysia or any other jurisdiction where the Bank has to pay tax in relation to the Bonds, at their principal amount plus accrued interest.

The Bonds constitute unsecured liabilities of the Bank, and are subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

7 Dividends Paid

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

8 Securities Held-for-trading

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
At Fair Value				
Malaysian Government Treasury Bills	109,212	107,763	109,212	107,763
Malaysian Government Securities	41,622	15,692	41,622	15,692
Other Government Securities	-	-	-	-
Bank Negara Malaysia (BNM) bills	83,814	1,427	83,814	1,427
Cagamas bonds	241,297	206,652	241,297	206,652
Bankers' acceptance and Islamic accepted bills	158,239	538,530	158,239	538,530
Negotiable instruments of deposit	1,013,020	1,670,101	594,251	1,670,101
Foreign currency bonds	57,210	-	57,210	-
	<u>1,704,414</u>	<u>2,540,165</u>	<u>1,285,645</u>	<u>2,540,165</u>
Quoted securities :				
Shares in Malaysia	9,731	9,078	9,731	9,078
Unquoted securities :				
Private debt securities	123,029	84,696	123,029	84,696
Total securities held-for-trading	<u>1,837,174</u>	<u>2,633,939</u>	<u>1,418,405</u>	<u>2,633,939</u>

9 Securities Available-for-sale

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
At Fair Value				
HK Government Exchange Fund	23,856	23,917	23,856	23,917
Government Treasury Bills	211,034	205,515	211,034	205,515
Malaysian Government Securities	2,173,411	25,293	2,173,411	25,293
Cagamas bonds	1,318,225	1,181,961	1,217,915	1,181,961
Foreign currency bonds	1,096,653	826,974	1,096,653	826,974
	<u>4,823,179</u>	<u>2,263,660</u>	<u>4,722,869</u>	<u>2,263,660</u>
Quoted Securities:				
Shares and convertible loan stocks	65,971	46,397	65,971	46,397
Shares outside Malaysia	272	314	272	314
Unquoted securities :				
Private debt securities	121,895	58,193	111,750	58,193
Total securities available-for-sale	<u>5,011,317</u>	<u>2,368,564</u>	<u>4,900,862</u>	<u>2,368,564</u>

10 Securities Held-to-maturity

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
At Amortised Cost				
Money market instruments :				
Malaysian Government securities	194,563	247,191	194,563	247,191
Malaysian Government investment certificates	256,232	253,797	121,156	253,797
Cagamas bonds	165,278	165,323	-	165,323
Foreign currency bonds	11,300	11,486	11,300	11,486
Foreign currency NCD	5,759	6,094	5,759	6,094
Khazanah bonds	9,027	9,027	-	9,027
	<u>642,159</u>	<u>692,918</u>	<u>332,778</u>	<u>692,918</u>
Unquoted securities :				
Shares	27,160	27,161	26,585	27,161
Private debt securities	215,300	235,774	150,513	235,774
Loan stocks	31,436	47,532	31,436	47,532
	<u>273,896</u>	<u>310,467</u>	<u>208,534</u>	<u>310,467</u>
Total securities held-to-maturity	<u><u>916,055</u></u>	<u><u>1,003,385</u></u>	<u><u>541,312</u></u>	<u><u>1,003,385</u></u>

11 Loans, Advances and Financing

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
Overdrafts	3,018,772	3,107,337	3,013,066	3,110,324
Term loans :				
- Housing loans/financing	11,737,583	11,047,892	10,811,564	11,047,892
- Syndicated term loan/financing	1,656,453	1,743,830	1,189,917	1,742,530
- Hire purchase receivables	6,574,550	6,423,928	3,455,341	6,423,928
- Lease receivables	7,644	8,015	-	-
- Other term loans/financing	1,137,311	1,133,780	1,041,966	1,133,780
Credit/charge card receivables	963,134	943,832	963,134	943,832
Bills receivables	337,581	354,378	337,581	354,378
Trust receipts	169,310	192,550	169,310	192,550
Claims on customers under acceptance credits	1,901,578	2,002,016	1,884,550	1,998,018
Block discounting	36,382	37,137	33,031	37,137
Revolving credits	524,204	580,792	524,204	580,792
Staff loans :				
Directors	-	-	-	-
Staffs other than Directors	122,853	129,145	122,737	129,145
Other loans/financing	74,196	80,223	72,641	80,223
	<u>28,261,551</u>	<u>27,784,855</u>	<u>23,619,042</u>	<u>27,774,529</u>
Unearned interest and income	<u>(1,331,416)</u>	<u>(1,323,989)</u>	<u>(365,068)</u>	<u>(1,323,989)</u>
Gross loans, advances and financing	26,930,135	26,460,866	23,253,974	26,450,540
Allowance for bad and doubtful debts and financing :				
- general	(396,337)	(412,877)	(341,460)	(412,817)
- specific	<u>(512,235)</u>	<u>(465,254)</u>	<u>(490,662)</u>	<u>(459,679)</u>
Net loans, advances and financing	<u>26,021,563</u>	<u>25,582,735</u>	<u>22,421,852</u>	<u>25,578,044</u>

11 Loans, Advances and Financing (continued)

11a By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
Domestic banking institutions	152	153	152	153
Domestic non-bank financial institutions	64,140	65,748	66,917	68,732
Domestic business enterprises				
- Small and medium enterprises	4,161,650	4,577,643	3,781,716	4,569,628
- Others	4,593,479	4,429,596	4,162,946	4,429,596
Government and statutory bodies	100,842	116,132	100,842	116,132
Individuals	17,028,098	16,257,935	14,181,146	16,257,936
Other domestic entities	41,583	49,385	39,070	48,086
Foreign entities	940,191	964,274	921,185	960,277
Gross loans, advances and financing	<u>26,930,135</u>	<u>26,460,866</u>	<u>23,253,974</u>	<u>26,450,540</u>

11 Loans, Advances and Financing (continued)

11b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
Fixed rate				
- Housing loans/financing	2,687,875	2,641,038	2,382,083	2,640,007
- Hire purchase receivables	5,823,962	5,722,477	3,093,780	5,720,244
- Other fixed rate loan/financing	3,229,497	3,173,222	2,610,434	3,171,983
Variable rate				
- Base lending rate plus	11,821,023	11,615,037	11,807,503	11,610,504
- Cost plus	697,922	685,760	694,315	685,493
- Other variables rates	2,669,856	2,623,332	2,665,859	2,622,309
Gross loans, advances and financing	<u>26,930,135</u>	<u>26,460,866</u>	<u>23,253,974</u>	<u>26,450,540</u>

11 Loans, Advances and Financing (continued)

11c By economic sector

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
Agriculture	253,083	245,910	175,303	245,349
Mining and quarrying	34,975	36,513	31,441	36,480
Manufacturing	2,242,242	2,326,718	2,075,220	2,318,586
Electricity, gas and water	30,201	33,408	22,957	33,408
Construction	757,216	826,888	677,309	826,222
Real Estate	311,208	298,259	216,412	298,259
Purchase of landed properties (of which : - residential	8,944,020	8,445,304	8,484,754	8,445,304
- non-residential)	2,548,150	2,460,381	2,469,494	2,460,381
General commerce	1,826,634	1,862,706	1,671,111	1,862,310
Transport, storage and communication	276,580	273,484	231,017	273,484
Finance, insurance and business services	459,872	559,196	407,184	560,554
Purchase of securities	772,492	838,974	771,120	837,674
Purchase of transport vehicles	4,978,948	4,861,113	2,599,827	4,861,113
Consumption credit	2,131,562	2,119,050	2,122,248	2,119,050
Others	1,362,952	1,272,962	1,298,577	1,272,366
Gross loans, advances and financing	<u>26,930,135</u>	<u>26,460,866</u>	<u>23,253,974</u>	<u>26,450,540</u>

11 Loans, Advances and Financing (continued)

11d Non-performing loans by sector

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
Agriculture	3,756	4,253	3,390	3,880
Mining and quarrying	3,273	2,965	3,273	2,965
Manufacturing	287,943	279,311	285,375	276,940
Electricity, gas and water	654	685	576	685
Construction	255,818	265,392	254,695	264,969
Real estate	33,599	34,291	32,912	34,290
Purchase of landed properties (of which :- residential	351,654	352,820	325,873	352,820
- non-residential)	120,127	126,539	107,329	126,539
General commerce	113,447	121,484	112,964	121,391
Transport, storage and communication	46,456	48,071	46,010	47,904
Finance, insurance and business services	141,715	140,662	139,917	139,610
Purchase of securities	26,049	29,163	24,067	27,863
Purchase of transport vehicles	136,142	132,400	105,981	132,400
Consumption credit	76,731	77,785	76,215	77,785
Others	45,499	41,862	44,840	41,729
	<u>1,642,863</u>	<u>1,657,683</u>	<u>1,563,417</u>	<u>1,651,770</u>

11 Loans, Advances and Financing (continued)

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

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
At beginning	1,657,683	2,148,297	1,651,770	1,143,538
Non-performing during the period/year	771,679	2,634,676	710,464	2,594,192
Reclassified as performing	(649,085)	(1,971,777)	(599,322)	(1,939,560)
Amount written back in respect of recoveries	(119,889)	(549,807)	(111,533)	(541,864)
Amount written off	(17,027)	(605,478)	(17,027)	(547,204)
Amount vested (to)/from HLIB/ HLF*	-	-	(70,437)	940,896
Exchange differences	(498)	1,772	(498)	1,772
Closing balance	1,642,863	1,657,683	1,563,417	1,651,770
Specific allowance	(512,235)	(465,254)	(490,662)	(459,679)
Net non-performing loans, advances and financing	<u>1,130,628</u>	<u>1,192,429</u>	<u>1,072,755</u>	<u>1,192,091</u>
Net NPL as a % of gross loans, advances and financing less specific allowance	<u>4.3%</u>	<u>4.6%</u>	<u>4.7%</u>	<u>4.6%</u>

* Note : HLIB - Hong Leong Islamic Bank Berhad
HLF - Hong Leong Finance Berhad

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

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

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
<u>General Allowance</u>				
At beginning	412,877	366,955	412,817	248,162
Net provisions made during the year	(16,394)	45,697	(16,202)	47,311
Amount vested (to)/from HLIB/HLF*	-	-	(55,009)	117,119
Exchange differences	(146)	225	(146)	225
Closing balance	<u>396,337</u>	<u>412,877</u>	<u>341,460</u>	<u>412,817</u>
As % of gross loans, advances and financing less specific allowance	<u>1.5%</u>	<u>1.6%</u>	<u>1.5%</u>	<u>1.6%</u>
<u>Specific Allowance</u>				
At beginning	465,254	868,043	459,679	516,854
Allowance made during the period/year	85,850	304,207	81,434	292,367
Amount written back in respect of recoveries	(20,826)	(101,309)	(19,923)	(89,323)
Amount written off	(17,605)	(605,675)	(17,027)	(547,204)
Amount transferred to provision for diminution in value	-	(904)	-	(904)
Amount vested (to)/from HLIB/HLF*	-	-	(13,063)	286,997
Exchange differences	(438)	892	(438)	892
Closing balance	<u>512,235</u>	<u>465,254</u>	<u>490,662</u>	<u>459,679</u>

* Note : HLIB - Hong Leong Islamic Bank Berhad
HLF - Hong Leong Finance Berhad

12 Other Assets

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
Interest/Income receivable	160,412	149,079	156,019	149,079
Other debtors, deposits and prepayments	154,776	89,871	38,159	87,525
Amount due from subsidiary company	-	-	11,212	-
Foreclosed properties	3,159	3,159	3,159	3,159
	<u>318,347</u>	<u>242,109</u>	<u>208,549</u>	<u>239,763</u>

13 Deposits from Customers

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
<u>By type of customer</u>				
Government and statutory bodies	941,751	318,002	718,941	318,002
Business enterprises	15,349,716	13,134,041	12,786,129	13,208,241
Individuals	25,433,729	25,241,952	24,783,477	25,241,952
Others	1,371,763	1,222,495	620,128	1,222,495
	<u>43,096,959</u>	<u>39,916,490</u>	<u>38,908,675</u>	<u>39,990,690</u>

14 Deposits and Placements of Banks and Other Financial Institutions

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
Licensed banks	<u>2,020,038</u>	<u>2,066,162</u>	<u>1,951,934</u>	<u>2,066,162</u>

15 Other Liabilities

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 30/9/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
Interest/Profit payable	323,486	301,060	299,222	301,060
Zakat	42	27	-	27
Post employment benefits obligation				
- defined contribution plan	3,440	3,609	3,440	3,609
Loan advance payment	103,520	88,763	101,545	88,763
Amount due to subsidiary companies	-	-	33,238	34,347
Others	363,486	301,719	241,013	285,140
	<u>793,974</u>	<u>695,178</u>	<u>678,458</u>	<u>712,946</u>

16 Interest Income

	1st Quarter Ended		Cumulative Three Months Ended	
	30/9/2005	30/09/2004	30/9/2005	30/09/2004
	RM'000	RM'000	RM'000	RM'000
Group				
Loan, advances and financing				
- Interest income other than recoveries from NPLs	287,990	311,098	287,990	311,098
- Recoveries from NPLs	44,280	38,007	44,280	38,007
Money at call and deposit placements with financial institutions	95,597	104,560	95,597	104,560
Securities purchased under resale agreement	72,133	-	72,133	-
Securities held-for-trading	23,866	27,877	23,866	27,877
Securities available-for-sale	33,833	40,308	33,833	40,308
Securities held-to-maturity	7,966	9,308	7,966	9,308
Others	6,865	5,074	6,865	5,074
	<u>572,530</u>	<u>536,232</u>	<u>572,530</u>	<u>536,232</u>
Amortisation of premium less accretion of discount	(3,033)	(9,609)	(3,033)	(9,609)
Interest suspended	(4,008)	(1,527)	(4,008)	(1,527)
	<u>565,489</u>	<u>525,096</u>	<u>565,489</u>	<u>525,096</u>

16 Interest Income (continued)

	1st Quarter Ended		Cumulative Three Months Ended	
	30/9/2005	30/09/2004	30/9/2005	30/09/2004
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Loan, advances and financing				
- Interest income other than recoveries from NPLs	287,413	269,273	287,413	269,273
- Recoveries from NPLs	44,266	37,763	44,266	37,763
Money at call and deposit placements with financial institutions	100,251	95,515	100,251	95,515
Securities purchased under resale agreements	72,133	-	72,133	-
Securities held-for-trading	23,866	27,877	23,866	27,877
Securities available-for-sale	33,833	39,519	33,833	39,519
Securities held-to-maturity	7,966	9,305	7,966	9,305
Others	6,865	4,945	6,865	4,945
	<u>576,593</u>	<u>484,197</u>	<u>576,593</u>	<u>484,197</u>
Amortisation of premium less accretion of discount	(3,033)	(9,576)	(3,033)	(9,576)
Interest suspended	(3,531)	(1,527)	(3,531)	(1,527)
	<u>570,029</u>	<u>473,094</u>	<u>570,029</u>	<u>473,094</u>

17 Interest Expense

	1 st Quarter Ended		Cumulative Three Months Ended	
	30/9/2005	30/09/2004	30/9/2005	30/09/2004
	RM'000	RM'000	RM'000	RM'000
Group				
Deposits and placements of banks and other financial institutions	76,284	42,451	76,284	42,451
Deposits from customers	245,116	233,681	245,116	233,681
Subordinated bonds	6,547	-	6,547	-
Others	262	124	262	124
	<u>328,209</u>	<u>276,256</u>	<u>328,209</u>	<u>276,256</u>

	1 st Quarter Ended		Cumulative Three Months Ended	
	30/9/2005	30/09/2004	30/9/2005	30/09/2004
	RM'000	RM'000	RM'000	RM'000
Bank				
Deposits and placements of banks and other financial institutions	81,019	40,903	81,019	40,903
Deposits from customers	245,116	209,613	245,116	209,613
Subordinated bonds	6,547	-	6,547	-
Others	262	124	262	124
	<u>332,944</u>	<u>250,640</u>	<u>332,944</u>	<u>250,640</u>

18 Other Operating Income

	1 st Quarter Ended		Cumulative Three Months Ended	
	30/9/2005 RM'000	30/09/2004 RM'000	30/9/2005 RM'000	30/09/2004 RM'000
Group				
(a) <u>Fee income</u> :				
Commissions	18,136	16,727	18,136	16,727
Service charges and fees	6,703	5,760	6,703	5,760
Guarantee fees	1,714	1,745	1,714	1,745
Other fee income	39,316	36,321	39,316	36,321
	<u>65,869</u>	<u>60,553</u>	<u>65,869</u>	<u>60,553</u>
(b) <u>Gain/loss arising from sale of securities</u> :				
Net gain from sale of securities held-for-trading	4,439	2,665	4,439	2,665
Net gain from sale of securities available-for-sale	7,047	15,729	7,047	15,729
Net gain from sale of securities held-to-maturity	4,042	-	4,042	-
	<u>15,528</u>	<u>18,394</u>	<u>15,528</u>	<u>18,394</u>
(c) <u>Gross dividend income from:</u>				
Subsidiary companies	-	-	-	-
Securities held-for-trading	134	353	134	353
Securities available-for-sale	85	995	85	995
	<u>219</u>	<u>1,348</u>	<u>219</u>	<u>1,348</u>

18 Other Operating Income (continued)

	1 st Quarter Ended		Cumulative Three Months Ended	
	30/9/2005 RM'000	30/09/2004 RM'000	30/9/2005 RM'000	30/09/2004 RM'000
(d) <u>Unrealised losses on revaluation of securities held-for-trading and derivatives</u>	<u>(3,365)</u>	<u>(7,610)</u>	<u>(3,365)</u>	<u>(7,610)</u>
(e) <u>Other income :</u>				
Foreign exchange gain	20,963	7,430	20,963	7,430
Rental income	56	28	56	28
Gain on disposal of property and equipment (net)	170	494	170	494
Others	3,169	1,375	3,169	1,375
	<u>24,358</u>	<u>9,327</u>	<u>24,358</u>	<u>9,327</u>
Total other operating income	<u>102,609</u>	<u>82,012</u>	<u>102,609</u>	<u>82,012</u>

18 Other Operating Income

	1 st Quarter Ended		Cumulative Three Months Ended	
	30/9/2005 RM'000	30/09/2004 RM'000	30/9/2005 RM'000	30/09/2004 RM'000
<u>Bank</u>				
(a) <u>Fee income :</u>				
Commissions	18,136	16,550	18,136	16,550
Service charges and fees	6,703	5,729	6,703	5,729
Guarantee fees	1,714	1,745	1,714	1,745
Other fee income	39,316	35,365	39,316	35,365
	<u>65,869</u>	<u>59,389</u>	<u>65,869</u>	<u>59,389</u>
(b) <u>Gain/loss arising from sale of securities :</u>				
Net gain from sale of securities held-for-trading	4,439	2,665	4,439	2,665
Net gain from sale of securities available-for-sale	7,047	14,141	7,047	14,141
Net gain from sale of securities held-to-maturity	4,042	-	4,042	-
	<u>15,528</u>	<u>16,806</u>	<u>15,528</u>	<u>16,806</u>
(c) <u>Gross dividend income from:</u>				
Securities held-for-trading	134	-	134	-
Securities available-for-sale	85	363	85	363
Securities held-to-maturity				
	<u>219</u>	<u>363</u>	<u>219</u>	<u>363</u>

18 Other Operating Income (continued)

	1 st Quarter Ended		Cumulative Three Months Ended	
	30/9/2005 RM'000	30/09/2004 RM'000	30/9/2005 RM'000	30/09/2004 RM'000
(d) <u>Unrealised losses on revaluation of securities held-for-trading and derivatives</u>	<u>(3,365)</u>	<u>(5,854)</u>	<u>(3,365)</u>	<u>(7,610)</u>
(e) <u>Other income :</u>				
Foreign exchange gain	20,963	7,430	20,963	7,430
Rental income	57	26	57	26
Gain on disposal of property and equipment (net)	170	487	170	487
Others	2,733	1,261	2,733	1,261
	<u>23,923</u>	<u>9,204</u>	<u>23,923</u>	<u>9,204</u>
Total other operating income	<u>102,174</u>	<u>78,152</u>	<u>102,174</u>	<u>78,152</u>

19 Other Operating Expenses

	1 st Quarter Ended		Cumulative Three Months Ended	
	30/9/2005 RM'000	30/09/2004 RM'000	30/9/2005 RM'000	30/09/2004 RM'000
Group				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	68,291	66,637	68,291	66,637
- Others	4,469	4,974	4,469	4,974
<u>Establishment costs</u>				
- Depreciation	13,778	11,887	13,778	11,887
- Rental	8,296	7,625	8,296	7,625
- Information technology expenses	7,537	4,997	7,537	4,997
- Others	7,699	6,450	7,699	6,450
<u>Marketing expenses</u>				
- Advertisement and publicity	8,049	4,853	8,049	4,853
- Handling fees	5,518	3,707	5,518	3,707
- Others	5,143	3,715	5,143	3,715
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,090	1,468	2,090	1,468
- Stationery & printing	3,341	4,680	3,341	4,680
- Others	14,923	13,657	14,923	13,657
	<u>149,134</u>	<u>134,650</u>	<u>149,134</u>	<u>134,650</u>

19 Other Operating Expenses (continued)

	1st Quarter Ended		Cumulative Three Months Ended	
	30/9/2005	30/09/2004	30/9/2005	30/09/2004
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	67,442	63,897	67,442	63,897
- Others	4,332	4,974	4,332	4,974
<u>Establishment costs</u>				
- Depreciation	13,743	11,023	13,743	11,023
- Rental	8,359	7,717	8,359	7,717
- Information technology expenses	7,499	4,702	7,499	4,702
- Others	7,655	6,450	7,655	6,450
<u>Marketing expenses</u>				
- Advertisement and publicity	6,803	4,853	6,803	4,853
- Handling fees	2,391	2,381	2,391	2,381
- Others	5,069	3,621	5,069	3,621
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,081	1,297	2,081	1,297
- Stationery & printing	3,325	4,542	3,325	4,542
- Shared service cost (recoveries)	(14,452)	-	(14,452)	-
- Others	14,641	13,089	14,641	13,089
	<u>128,888</u>	<u>128,546</u>	<u>128,888</u>	<u>128,546</u>

20 Allowance for Losses on Loans, Advances and Financing

	1st Quarter Ended		Cumulative Three Months Ended	
	30/9/2005	30/09/2004	30/9/2005	30/09/2004
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Allowance for bad and doubtful debts and financing :				
- general allowance (net)	(16,394)	8,327	(16,394)	8,327
- specific allowance	85,802	66,197	85,802	66,197
- specific allowance written back	(21,558)	(10,140)	(21,558)	(10,140)
Bad debts and financing written off	2,197	1,499	2,197	1,499
Bad debts and financing recovered	(20,039)	(40,262)	(20,039)	(40,262)
	<u>30,008</u>	<u>25,621</u>	<u>30,008</u>	<u>25,621</u>

20 Allowance for Losses on Loans, Advances and Financing (continued)

	1 st Quarter Ended		Cumulative Three Months Ended	
	30/9/2005	30/09/2004	30/9/2005	30/09/2004
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Allowance for bad and doubtful debts and financing :				
- general allowance (net)	(16,202)	9,983	(16,202)	9,983
- specific allowance	81,326	54,611	81,326	54,611
- specific allowance written back	(19,951)	(4,168)	(19,951)	(4,168)
Bad debts and financing written off	2,033	324	2,033	324
Bad debts and financing recovered	(19,073)	(39,304)	(19,073)	(39,304)
	<u>28,133</u>	<u>21,446</u>	<u>28,133</u>	<u>21,446</u>

21 Capital Adequacy

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 30/09/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
<u>Components of Tier - 1 and Tier - 2 Capital</u>				
Tier -1 capital				
Paid up share capital	1,580,107	1,580,107	1,580,107	1,580,107
Share premium	539,664	539,664	539,664	539,664
Retained profit, as restated	1,035,953	1,035,953	1,035,923	1,035,923
As previously stated	-	1,040,133	-	1,040,103
Prior year adjustments	-	(4,180)	-	(4,180)
Other Reserves	1,515,369	1,515,369	1,515,369	1,515,369
Less :Treasury Shares	(277,554)	(274,375)	(277,554)	(274,375)
Less : Deferred Tax	(115,522)	(115,522)	(115,522)	(115,522)
As previously stated	-	(115,204)	-	(115,204)
Prior year adjustments	-	(318)	-	(318)
Total tier 1 capital	4,278,016	4,281,196	4,277,986	4,281,166
Tier - 2 capital				
General provision	396,337	412,817	341,460	412,817
Subordinated bonds	753,900	-	753,900	-
Total tier 2 capital	1,150,237	412,817	1,095,360	412,817
Total capital	5,428,253	4,694,013	5,373,346	4,693,983
Less: Investment in subsidiary companies	-	-	(522,041)	(72,041)
Total capital base	5,428,253	4,694,013	4,851,305	4,621,942
<u>Before deducting proposed dividends</u>				
Core Capital Ratio	15.06%	15.84%	17.45%	15.85%
Risk-weighted Capital Ratio	19.11%	17.37%	19.79%	17.11%
<u>After deducting proposed dividends</u>				
Core Capital Ratio	14.46%	15.21%	16.76%	15.22%
Risk-weighted Capital Ratio	18.51%	16.74%	19.10%	16.48%

22 Group segmental reporting on revenue, profit and assets

Financial Period Ended 30/9/2005

<u>By Business Segment</u>	Personal Financial Services RM'000	Business Banking RM'000	Treasury RM'000	Total RM'000
External revenue	108,422	70,439	51,673	230,534
Inter-segment revenue	141,362	(20,263)	(121,099)	-
Segment revenue	<u>249,784</u>	<u>50,176</u>	<u>(69,426)</u>	<u>230,534</u>
Segment profit before taxation	115,205	20,374	61,908	197,487
Taxation and zakat				<u>(55,356)</u>
Profit after taxation				<u>142,131</u>
Segment assets	19,900,988	6,314,254	32,801,974	59,017,216
Unallocated assets				<u>1,569,807</u>
Total assets				<u>60,587,023</u>

Financial Period Ended 30/9/2004

<u>By Business Segment</u>	Personal Financial Services RM'000	Business Banking RM'000	Treasury RM'000	Total RM'000
External revenue	102,800	93,013	24,833	220,646
Inter-segment revenue	131,946	(22,154)	(109,792)	-
Segment revenue	<u>234,746</u>	<u>70,859</u>	<u>(84,959)</u>	<u>220,646</u>
Segment profit before taxation	96,170	60,634	38,221	195,025
Taxation and zakat				<u>(54,807)</u>
Profit after taxation				<u>140,218</u>
Segment assets	16,499,329	6,913,514	25,200,753	48,613,596
Unallocated assets				<u>2,685,258</u>
Total assets				<u>51,298,854</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 Material events subsequent to the end of the reporting period

There were no material events subsequent to the end of the financial period ended 30 September 2005 to be disclosed.

25 Changes in the composition of the Group

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

- The Bank had, on 28 June 2005, announced that Minister of Finance had granted an Islamic banking licence to Hong Leong Islamic Bank Berhad (“HLIB”) and a Vesting Order had also been obtained from the High Court of Malaya for the transfer and vesting of the Islamic banking business of HLB to HLIB. Effective 1 July 2005, the Bank has conducted its Islamic Banking business through HLIB.
- On 16 June 2005, the Bank announced that it had entered into a Sale and Purchase Agreement with HLCM Capital Sdn Bhd (“HLCM Capital”) to dispose of its 100% equity interest in Credit Corporation (Malaysia) Sdn Bhd comprising two (2) ordinary shares of RM1.00 each to HLCM Capital for cash consideration of RM5,000.00 (“Proposed Disposal”). The approval of the Foreign Investment Committee for the Proposed Disposal has been obtained and the Proposed Disposal was completed on 25 August 2005.

26 Commitments and contingencies

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

The commitments and contingencies constitute the following:

	Financial Period Ended 30/09/2005			Financial Year Ended 30/06/2005		
	Principal Amount RM'000	Credit Equivalent RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent RM'000	Risk Weighted Amount RM'000
The Group						
Direct credit substitutes	175,078	175,078	175,078	161,538	161,538	161,538
Transaction-related contingent items	283,224	141,613	141,613	308,963	154,482	154,481
Short-term self liquidating trade-related contingencies	399,161	79,832	79,832	469,936	93,987	93,188
Irrevocable commitments to extend credit :						
-maturity more than 1 year	4,382,740	2,191,370	2,191,370	4,122,753	2,061,377	2,061,377
-maturity less than 1 year	9,644,502	-	-	9,181,257	-	-
Foreign exchange related contracts	6,780,862	114,041	54,759	7,639,221	158,934	80,269
Interest rate related contracts	16,459,991	106,916	53,458	16,389,047	74,294	37,147
Equity related contracts	110,000	1,650	-	106,922	1,604	-
Miscellaneous	562	-	-	694	-	-
Total	38,236,120	2,810,500	2,696,110	38,380,331	2,706,216	2,588,000

26 Commitments and contingencies (continued)

	Financial Period Ended 30/09/2005			Financial Year Ended 30/06/2005		
	Principal Amount RM'000	Credit Equivalent RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent RM'000	Risk Weighted Amount RM'000
The Bank						
Direct credit substitutes	175,078	175,078	175,078	161,538	161,538	161,538
Transaction-related contingent items	283,061	141,531	141,531	308,963	154,482	154,481
Short-term self liquidating trade-related contingencies	398,844	79,769	79,769	465,938	93,188	93,188
Irrevocable commitments to extend credit :						
-maturity more than 1 year	4,075,878	2,037,939	2,037,939	4,122,753	2,061,377	2,061,377
-maturity less than 1 year	9,610,643	-	-	9,181,257	-	-
Foreign exchange related contracts	6,771,815	109,518	54,759	7,639,221	158,934	80,269
Interest rate related contracts	16,459,991	106,916	53,458	16,389,047	74,294	37,147
Equity related contracts	110,000	1,650	-	106,922	1,604	-
Miscellaneous	562	-	-	694	-	-
Total	37,885,872	2,652,401	2,542,534	38,376,333	2,705,417	2,588,000

27 Related party transactions

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

a) Interest/Profit Rate Risk

Group As at 30 September 2005	Non-trading Book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
Assets									
Cash and short term funds	8,712,356	-	-	-	-	529,086	-	9,241,442	2.8
Deposits & placement with banks & other financial institutions	-	5,221,968	902,243	-	-	-	-	6,124,211	2.8
Securities purchased resale agreements	2,802,580	5,169,917	2,048,951	-	-	-	-	10,021,448	2.8
Securities held-for-trading	-	-	-	-	-	-	1,837,174	1,837,174	2.9
Securities available-for-sale	22,297	189,297	32,797	3,902,016	812,662	52,248	-	5,011,317	4.2
Securities held-to-maturity	16,157	120,843	315,441	437,674	13,340	12,600	-	916,055	6.5
Loans, advances and financing									
- performing	5,992,160	1,185,567	1,329,196	5,338,417	11,826,205	-	-	25,671,545	6.4
- non-performing	-	-	-	-	-	350,018	-	350,018	-
Other assets	-	-	-	-	-	318,347	-	318,347	-
Statutory deposits with Bank Negara	-	-	-	-	-	732,948	-	732,948	-
Property, plant and equipment	-	-	-	-	-	253,889	-	253,889	-
Deferred tax assets	-	-	-	-	-	108,629	-	108,629	-
Total assets	17,545,550	11,887,592	4,628,628	9,678,107	12,652,207	2,357,765	1,837,174	60,587,023	
Liabilities									
Deposits from customers	20,534,030	7,713,371	11,002,402	91,389	-	3,755,767	-	43,096,959	2.6
Deposits & placement of banks & other financial institutions	704,084	1,164,994	150,780	-	-	180	-	2,020,038	2.7
Obligations on securities sold under repurchase agreements	8,016,931	206,675	-	-	-	-	-	8,223,606	2.7
Bills and acceptance payable	201,976	195,962	3,912	-	-	301,900	-	703,750	
Floating rate certificate of deposits	-	-	414,562	-	-	-	-	414,562	3.5
Other liabilities	-	-	-	-	-	793,974	-	793,974	
Subordinated Bonds	-	-	-	-	753,900	-	-	753,900	5.2
Provision for tax	-	-	-	-	-	41,151	-	41,151	
Total liabilities	29,457,021	9,281,002	11,571,656	91,389	753,900	4,934,123	-	56,047,940	
Shareholders' funds									
Total liabilities and shareholders' funds	29,457,021	9,281,002	11,571,656	91,389	753,900	9,473,206	-	60,587,023	
On-balance sheet profit sensitivity gap	(11,911,471)	2,606,590	(6,943,028)	9,586,718	11,898,307	(7,115,441)	1,837,174	-	
Off-balance sheet profit sensitivity gap	120,000	158,000	70,000	450,000	928,000	(1,726,000)	-	-	
Total profit sensitivity gap	(11,791,471)	2,764,590	(6,873,028)	10,036,718	12,826,307	(8,841,441)	1,837,174	-	

28 b) Interest/Profit Rate Risk

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

28 c) Interest/Profit Rate Risk

Bank As at 30 September 2005	←————— Non-trading Book —————→					Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000				
Assets									
Cash and short term funds	8,164,455	-	-	-	-	529,086	-	8,693,541	2.8
Deposits & placement with banks & other financial institutions	-	5,221,968	902,243	-	-	-	-	6,124,211	2.8
Securities purchased resale agreements	2,802,580	5,169,917	2,048,951	-	-	-	-	10,021,448	2.8
Securities held-for-trading	-	-	-	-	-	-	1,418,405	1,418,405	2.9
Securities available-for-sale	22,297	189,297	32,797	3,827,356	777,662	51,453	-	4,900,862	4.2
Securities held-to-maturity	16,158	83,644	100,527	323,418	13,340	4,225	-	541,312	6.5
Loans, advances and financing									
- performing	5,950,975	1,181,082	1,130,247	3,397,801	10,403,120	-	-	22,063,225	6.5
- non-performing	-	-	-	-	-	358,627	-	358,627	-
Other assets	-	-	-	-	-	208,549	-	208,549	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	608,200	-	608,200	-
Investment in subsidiary companies	-	-	-	-	-	522,041	-	522,041	-
Property, plant and equipment	-	-	-	-	-	238,344	-	238,344	-
Deferred tax assets	-	-	-	-	-	89,906	-	89,906	-
Total assets	16,956,465	11,845,908	4,214,765	7,548,575	11,194,122	2,610,431	1,418,405	55,788,671	
Liabilities									
Deposits from customers	18,609,857	6,224,032	10,246,570	72,449	-	3,755,767	-	38,908,675	2.6
Deposits & placement of banks & other financial institutions	1,435,980	364,994	150,780	-	-	180	-	1,951,934	2.7
Obligations on securities sold under repurchase agreements	7,650,425	206,675	-	-	-	-	-	7,857,100	2.7
Bills and acceptance payable	201,907	191,959	3,912	-	-	301,402	-	699,180	-
Floating rate certificate of deposits	-	-	414,562	-	-	-	-	414,562	3.5
Other liabilities	-	-	-	-	-	678,458	-	678,458	-
Subordinated Bonds	-	-	-	-	753,900	-	-	753,900	5.2
Total liabilities	27,898,169	6,987,660	10,815,824	72,449	753,900	4,735,807	-	51,263,809	
Shareholders' funds	-	-	-	-	-	4,524,862	-	4,524,862	-
Total liabilities and shareholders' funds	27,898,169	6,987,660	10,815,824	72,449	753,900	9,260,669	-	55,788,671	
On-balance sheet profit sensitivity gap	(10,941,704)	4,858,248	(6,601,059)	7,476,126	10,440,222	(6,650,238)	1,418,405	-	-
Off-balance sheet profit sensitivity gap	120,000	158,000	70,000	450,000	928,000	(1,726,000)	-	-	-
Total profit sensitivity gap	(10,821,704)	5,016,248	(6,531,059)	7,926,126	11,368,222	(8,376,238)	1,418,405	-	

28 d) Interest/Profit Rate Risk

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

29 Operations of Islamic Banking

29a Unaudited Balance Sheets as at 30 September 2005

	Group		Bank	
	Financial Period Ended 30/09/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 30/09/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
<u>ASSETS</u>				
Cash and short-term funds	200,000	1,461,250	-	1,461,250
Deposits and placements with banks and other financial institutions	1,321,876	191,396	-	191,396
Securities - Held for trading	418,769	300,339	-	300,339
Securities - Available for sale	110,455	373,406	-	373,406
Securities - Held to maturity	374,744	-	-	-
Financing, advances and other financing	3,595,257	3,402,467	-	3,402,467
Other assets	108,372	17,563	-	17,563
Statutory deposits with Bank Negara Malaysia	124,748	51,150	-	51,150
Property, plant and equipment	1,021	105	-	105
Deferred tax assets	18,723	18,723	-	18,723
Total Assets	6,273,965	5,816,399	-	5,816,399
<u>LIABILITIES AND SHAREHOLDERS' FUNDS</u>				
Deposits from customers	4,212,767	4,889,360	-	4,889,360
Deposits and placements of banks and other financial institutions	1,028,104	91,750	-	91,750
Obligations on securities sold under repurchase agreements	366,506	246,600	-	246,600
Bills and acceptance payable	572	562	-	562
Other liabilities	148,140	125,472	-	125,472
Provision for taxation	4,822	38,373	-	38,373
Total Liabilities	5,760,911	5,392,117	-	5,392,117
Islamic banking capital fund	500,000	310,127	-	310,127
Reserves	13,054	114,155	-	114,155
Islamic Banking Funds	513,054	424,282	-	424,282
Total Liabilities and Islamic Banking Funds	6,273,965	5,816,399	-	5,816,399
<u>COMMITMENTS AND CONTINGENCIES</u>	350,248	344,662	-	344,662

29 **Operations of Islamic Banking**(continued)29b Unaudited Income Statements for the 1st Quarter and Three Months Ended 30 September 2005

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2005 RM'000	30/09/2004 RM'000	30/09/2005 RM'000	30/09/2004 RM'000
Group				
Income derived from investment of deposits' funds and others	67,967	46,794	67,967	46,794
Income derived from investment of shareholders' funds	6,658	3,704	6,658	3,704
Allowance for losses on financing	(2,253)	(4,514)	(2,253)	(4,514)
Provision for commitments and contingencies				
Impairment loss	-	-	-	-
Profit equalisation reserve	-	(4,154)	-	(4,154)
Other expenses directly attributable to the investment of the deposits and shareholders' funds	-	-	-	-
Total distributable income	72,372	41,830	72,372	41,830
Income attributable to deposits	(34,601)	(23,744)	(34,601)	(23,744)
Total net income	37,771	18,086	37,771	18,086
Other operating expenses	(20,658)	(2,187)	(20,658)	(2,187)
Profit before taxation and zakat	17,113	15,899	17,113	15,899
Zakat	(15)	-	(15)	-
Taxation	(4,822)	(527)	(4,822)	(527)
Profit after taxation and zakat	12,276	15,372	12,276	15,372
Profit attributable to shareholders	12,276	15,372	12,276	15,372
Earnings per share - basic (sen)	2.46	4.96	2.46	4.96
Earnings per share - fully diluted (sen)	2.46	4.96	2.46	4.96

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

29b Unaudited Income Statements for the 1st Quarter and Three Months Ended 30 September 2005
(continued)

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2005 RM'000	30/09/2004 RM'000	30/09/2005 RM'000	30/09/2004 RM'000
Bank				
Income derived from investment of deposits' funds and others	-	46,794	-	46,794
Income derived from investment of shareholders' funds	-	3,704	-	3,704
Allowance for losses on financing	-	(4,514)	-	(4,514)
Provision for commitments and contingencies				
Impairment loss	-	-	-	-
Profit equalisation reserve	-	(4,154)	-	(4,154)
Other expenses directly attributable to the investment of the deposits and shareholders' funds	-	-	-	-
Total distributable income	-	41,830	-	41,830
Income attributable to deposits	-	-	-	-
Total net income	-	18,086	-	18,086
Other operating expenses	-	(2,187)	-	(2,187)
Profit before taxation and zakat	-	15,899	-	15,899
Zakat	-	-	-	-
Taxation	-	(527)	-	(527)
Profit after taxation and zakat	-	15,372	-	15,372
Profit attributable to shareholders	-	15,372	-	15,372
Earnings per share - basic (sen)	-	4.96	-	4.96
Earnings per share - fully diluted (sen)	-	4.96	-	4.96

29 Operations of Islamic Banking (continued)

29c Financing, advances and other financing

(i) By type

	Group		Bank	
	Financial Period Ended 30/09/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 30/09/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
Cash line	10,009	10,056	-	10,056
Term financing		-		-
- House financing	1,486,799	1,487,953	-	1,487,953
- Hire purchase receivable	3,119,209	2,898,064	-	2,898,064
Claims on customers under acceptance credits	13,030	17,347	-	17,347
Staff financing	116	126	-	126
Revolving credit	3,351	3,050	-	3,050
Others	55	55	-	55
	<u>4,632,569</u>	<u>4,416,651</u>	-	<u>4,416,651</u>
Less: Unearned income	(966,309)	(946,113)	-	(946,113)
	<u>3,666,261</u>	<u>3,470,538</u>	-	<u>3,470,538</u>
Less: Allowance for bad and doubtful financing				
- General	(54,817)	(55,009)	-	(55,009)
- Specific	(16,187)	(13,063)	-	(13,063)
Total net financing, advances and other financing	<u><u>3,595,257</u></u>	<u><u>3,402,466</u></u>	<u><u>-</u></u>	<u><u>3,402,466</u></u>

(ii) By contract

	Group		Bank	
	Financial Period Ended 30/09/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 30/09/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
Bai' Bithaman Ajil (deferred payment sale)	931,856	936,438	-	936,438
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,721,312	2,523,474	-	2,523,474
Murabahah (cost-plus)	13,093	21,314	-	21,314
	<u><u>3,666,261</u></u>	<u><u>3,481,226</u></u>	<u><u>-</u></u>	<u><u>3,481,226</u></u>

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

29c Financing, advances and other financing (continued)

Non-performing financing

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

	Group		Bank	
	Financial Period Ended 30/09/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 30/09/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
At beginning	70,437	97,701	70,437	8,798
Amount transferred from HLF	-	-	-	86,553
Amount transferred to HLIB	-	-	(70,437)	-
Classified as non-performing during the period	61,163	207,494	-	207,494
Reclassified as performing	(49,741)	(178,589)	-	(178,589)
Amount recovered	(8,018)	(31,759)	-	(31,759)
Amount written off	-	(24,410)	-	(22,060)
At end	<u>73,841</u>	<u>70,437</u>	<u>-</u>	<u>70,437</u>
Net non-performing financing, advances and other financing	<u>57,654</u>	<u>57,374</u>	<u>-</u>	<u>57,374</u>
Ratio of net non-performing financing, advances and other financing to total net financing, advances and other financing	<u>1.6%</u>	<u>1.7%</u>	<u>-</u>	<u>1.7%</u>

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

29c **Financing, advances and other financing** (continued)

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

	Group		Bank	
	Financial Period Ended 30/09/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 30/09/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
General allowance				
At beginning	55,009	38,801	55,009	9,861
Amount transferred from HLF	-	-	-	29,023
Amount transferred to HLIB	-	-	(55,009)	-
Allowance made / (written back)	(192)	16,208	-	16,125
At end	<u>54,817</u>	<u>55,009</u>	<u>-</u>	<u>55,009</u>
As % of gross financing, advances and other financing less specific allowance	<u>1.5%</u>	<u>1.6%</u>	<u>-</u>	<u>1.6%</u>
Specific allowance				
At beginning	13,063	30,125	13,063	597
Amount transferred from HLF	-	-	-	30,512
Amount transferred to HLIB	-	-	(13,063)	-
Allowance made	4,446	15,805	-	14,349
Amount recovered	(1,255)	(6,160)	-	(5,689)
Amount written off	(67)	(26,707)	-	(26,706)
At end	<u>16,187</u>	<u>13,063</u>	<u>-</u>	<u>13,063</u>

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

29d Deposits from customer

By type of deposit

	Group		Bank	
	Financial Period Ended 30/09/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 30/09/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
Non-Mudharabah				
Demand deposits	105,927	117,778	-	117,778
Savings deposits	540,807	529,808	-	529,808
Others	233	233	-	233
	<u>646,967</u>	<u>647,819</u>	<u>-</u>	<u>647,819</u>
Mudharabah				
General investment deposits	3,526,077	4,241,541	-	4,241,541
Negotiable instruments of deposits	39,723	-	-	-
	<u>3,565,800</u>	<u>4,241,541</u>	<u>-</u>	<u>4,241,541</u>
	<u>4,212,767</u>	<u>4,889,360</u>	<u>-</u>	<u>4,889,360</u>

30 Change in Accounting Policies and Prior Year Adjustments

a) Change in Accounting Policies

For the 1st quarter ended 30 September 2005, the Group and the Bank have adopted the revised BNM/GP8 which have resulted in the following new accounting policies:

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

- i) Securities held-for-trading

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

- ii) Securities held-to-maturity

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

- iii) Securities available-for-sale

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

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

Fair value hedge

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

Cash flow hedge

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

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

b) Prior Year Adjustments

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

	<u>The Group</u>		<u>The Bank</u>	
	As restated RM'000	As previously reported RM'000	As restated RM'000	As previously reported RM'000
(i) Balance sheet as at 30 June 2005				
Dealing securities	-	2,632,694	-	2,632,694
Investment securities	-	3,362,726	-	3,362,726
Securities held-for-trading	2,633,939	-	2,633,939	-
Securities available-for-sale	2,368,564	-	2,368,564	-
Securities held-to-maturity	1,003,385	-	1,003,385	-
Deferred tax assets	114,886	115,204	114,886	115,204
Other assets	242,109	252,741	239,763	250,395
Reserves	<u>3,091,775</u>	<u>3,095,166</u>	<u>3,091,805</u>	<u>3,095,136</u>
(ii) Income statement for the 1 st quarter ended 30 September 2004				
Other operating income	82,012	84,197	78,152	80,337
Net income	355,296	357,481	321,325	323,511
Operating profit	220,646	222,831	192,779	194,965
Allowance for losses on loans, advances and financing	(25,621)	(25,621)	(21,446)	(21,446)
Profit before tax expense and zakat	195,025	197,210	171,333	173,519
Tax expense and zakat	(54,807)	(55,419)	(48,765)	(49,377)
Profit after tax expense	<u>140,218</u>	<u>141,791</u>	<u>122,568</u>	<u>124,142</u>
Earnings per share				
Basic (sen)	8.9	9.0	7.8	7.9
Fully diluted (sen)	8.9	9.0	7.8	7.9

**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 RM197.5 million for the current financial quarter ended 30 September 2005, an increase of RM2.5 million as compared to previous corresponding quarter. Conventional other operating income increased by RM20.6 million whilst Islamic Banking income increased by RM15.3 million. The favourable variance was partially offset by a fall in conventional net interest income, higher operating expenses as well as loan loss provision.

2 Review of performance of current quarter against preceding quarter

For the current financial quarter, the Group recorded a pre-tax profit of RM197.5 million as compared to RM155.0 million in the preceding quarter, an increase of RM42.5 million. The better performance was attributable to continued growth in other operating income as well as lower loan loss provision.

3 Current year prospect

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

4 Variance in profit forecast and shortfall in profit guarantee

This note is not applicable to the Group.

5 Taxation

	Current Quarter Ended 30/09/2005 RM'000	Corresponding Quarter Ended 30/09/2004 RM'000	Financial Period Ended 30/09/2005 RM'000	Financial Period Ended 30/09/2004 RM'000
The Group				
Malaysian income tax	50,804	58,130	50,804	58,130
Overseas tax	-	-	-	-
	<u>50,804</u>	<u>58,130</u>	<u>50,804</u>	<u>58,130</u>
Transfer from/ (to) deferred taxation	4,537	(3,323)	4,537	(3,323)
	<u>55,341</u>	<u>54,807</u>	<u>55,341</u>	<u>54,807</u>

The Bank

Malaysian income tax	45,944	51,560	45,944	51,560
Overseas tax	-	-	-	-
	<u>45,944</u>	<u>51,560</u>	<u>45,944</u>	<u>51,560</u>
Transfer from/(to) deferred taxation	4,537	(2,795)	4,537	(2,795)
	<u>50,481</u>	<u>48,765</u>	<u>50,481</u>	<u>48,765</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 proposals for the current financial period.

9 Group Borrowings

This note is not applicable to the Group.

10 Deposits and debt securities

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 30/09/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
Deposits from customers				
Fixed deposits	31,394,475	28,855,935	27,880,622	28,918,328
Negotiable instruments of deposit	1,355,962	1,095,999	1,316,239	1,095,999
Demand deposits	4,055,940	3,717,928	3,962,272	3,729,735
Savings deposits	6,125,469	6,100,599	5,584,662	6,100,599
Other	165,113	146,029	164,880	146,029
	<u>43,096,959</u>	<u>39,916,490</u>	<u>38,908,675</u>	<u>39,990,690</u>
The maturity structure of fixed deposits and negotiable instruments :				
One year or less (short term)	32,671,992	29,878,080	29,118,416	29,940,473
More than one year (medium/long term)	78,445	73,854	78,445	73,854
	<u>32,750,437</u>	<u>29,951,934</u>	<u>29,196,861</u>	<u>30,014,327</u>

10 Deposits and debt securities (continued)

	<u>The Group</u>		<u>The Bank</u>	
	Financial	Financial	Financial	Financial
	Period	Year	Period	Year
	Ended	Ended	Ended	Ended
	30/06/2005	30/06/2004	30/6/2005	30/06/2004
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions				
Licensed banks	<u>2,020,038</u>	<u>2,066,162</u>	<u>1,951,934</u>	<u>2,066,162</u>
The maturity structure of deposits and placements of banks and other financial institutions :				
One year or less (short term)	2,020,038	2,066,162	1,951,934	2,066,162
More than one year (medium/long term)	-	-	-	-
	<u>2,020,038</u>	<u>2,066,162</u>	<u>1,951,934</u>	<u>2,066,162</u>

11 Floating Rate Certificate of Deposits

	The Group and The Bank	
	Financial	Financial
	Period	Year
	Ended	Ended
	30/09/2005	30/06/2005
	RM'000	RM'000
Floating rate certificate of deposits		
- USD110 million	<u>414,562</u>	<u>417,916</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.

12 Subordinated Bonds

The Group and The Bank

	Financial Period Ended 30/09/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
Subordinated Bonds		
- USD200 million	<u>753,900</u>	<u>-</u>

On 3 August 2005, the Bank issued USD200 million in aggregate principal amount of Subordinated Bonds (“the Bonds”) due 2015 callable with step-up in 2010. The Bonds bear interest at the rate of 5.25% per annum from, and including 3 August 2005 to, but excluding 3 August 2010 and, thereafter, at a rate per annum equal to the 5 Year US Treasury Rate plus 2.717%. The interest is payable semi-annually in arrears on 3 February and 3 August in each year, commencing on 3 February 2006. The Bonds were issued at a price of 99.848 per cent of the principal amount of the Bonds. The Bonds will, subject to the prior written approval of Bank Negara Malaysia, if required, be redeemable in whole but not in part, at the option of the Bank on 3 August 2010 or in the event of certain changes affecting taxation in Malaysia or any other jurisdiction where the Bank has to pay tax in relation to the Bonds, at their principal amount plus accrued interest.

The Bonds constitute unsecured liabilities of the Bank, and are subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

13 Off-Balance Sheet Financial instruments

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

The Group

Items	Principal Amount	1 mth or less	>1 – 3 Mths	>3 – 6 mths	>6 –12 Mths	>1 – 5 Yrs	>5 yrs
RM'000							
Foreign exchange related contracts							
- forwards	3,828,150	2,792,832	760,635	171,881	102,441	391	-
- swaps	1,828,724	609,678	555,609	578,923	84,514	-	-
- options	1,123,988	525,085	429,773	132,807	36,323	-	-
Interest rate related contracts							
- forwards	-	-	-	-	-	-	-
- futures	11,718,580	39,580	1,449,000	1,196,000	2,270,000	6,764,000	-
- swaps	4,741,412	-	-	58,595	720,000	3,941,715	21,102
Total	23,240,854	3,967,175	3,195,017	2,138,206	3,213,248	10,706,106	21,102

The Bank

Items	Principal Amount	1 mth or less	>1 – 3 Mths	>3 – 6 mths	>6 –12 Mths	>1 – 5 Yrs	>5 yrs
RM'000							
Foreign exchange related contracts							
- forwards	3,819,103	2,783,785	760,635	171,881	102,411	391	-
- swaps	1,828,724	609,678	555,609	578,923	84,514	-	-
- options	1,123,988	525,085	429,773	132,807	36,323	-	-
Interest rate related contracts							
- forwards	-	-	-	-	-	-	-
- futures	11,718,580	39,580	1,449,000	1,196,000	2,270,000	6,764,000	-
- swaps	4,741,412	-	-	58,595	720,000	3,941,715	21,102
Total	23,231,807	3,958,128	3,195,017	2,138,206	3,213,248	10,706,106	21,102

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 RM300,212,000 (FYE June 2005: RM552,922,000) and RM16,459,991,000 (FYE June 2005: RM16,389,047,000) respectively.

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial period, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM64,325,000 (FYE June 2005: RM69,528,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Related accounting policies

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

Fair value hedge

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

Cash flow hedge

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

14 Material litigation

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

15 Dividend

No interim dividend has been proposed for this current period.

16 Earnings per share

a) Basic earnings per share

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

	Current Quarter Ended 30/09/2005 RM'000	Corresponding Quarter Ended 30/09/2004 RM'000	Financial Period Ended 30/09/2005 RM'000	Financial Period Ended 30/09/2004 RM'000
<u>The Group</u>				
Profit after taxation	142,131	140,218	142,131	140,218
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	(52,152)	-	(52,152)	-
	<u>1,527,955</u>	<u>1,580,107</u>	<u>1,527,955</u>	<u>1,580,107</u>
Basic earnings per share (sen)	9.3	8.9	9.3	8.9
<u>The Bank</u>				
Profit after taxation	128,718	122,568	128,718	122,568
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	(52,152)	-	(52,152)	-
	<u>1,527,955</u>	<u>1,580,107</u>	<u>1,527,955</u>	<u>1,580,107</u>
Basic earnings per share (sen)	8.4	7.8	8.4	7.8

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 30/09/2005 RM'000	Corresponding Quarter Ended 30/09/2004 RM'000	Financial Period Ended 30/09/2005 RM'000	Financial Period Ended 30/09/2004 RM'000
<u>The Group</u>				
Profit after taxation	142,131	140,218	142,131	140,218
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the year	1,527,955	1,580,107	1,527,955	1,580,107
- adjustment for ESOS	-	-	-	-
	1,527,955	1,580,107	1,527,955	1,580,107
Fully diluted earnings per share (sen)	9.3	8.9	9.3	8.9
<u>The Bank</u>				
Profit after taxation	128,718	122,568	128,718	122,568
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the year	1,527,955	1,580,107	1,527,955	1,580,107
- adjustment for ESOS	-	-	-	-
	1,527,955	1,580,107	1,527,955	1,580,107
Fully diluted earnings per share (sen)	8.4	7.8	8.4	7.8