

**Condensed Financial Statements**  
**Hong Leong Bank Berhad**  
**Unaudited Balance Sheet As At 31 December 2005**

	The Group		The Bank		
	Financial Period Ended	Financial Year Ended	Financial Period Ended	Financial Year Ended	
	31/12/2005	30/06/2005	31/12/2005	30/06/2005	
Note	RM'000	RM'000	RM'000	RM'000	
<b>ASSETS</b>					
Cash and short-term funds		8,497,873	11,124,578	7,126,659	11,125,551
Deposits and placements with financial institutions		6,947,710	3,537,614	8,007,710	3,537,614
Securities purchased under resale agreements		5,983,200	9,928,492	5,983,200	9,928,492
Securities held-for-trading	8	4,298,447	2,633,939	3,581,516	2,633,939
Securities available-for-sale	9	5,395,627	2,368,564	5,287,177	2,368,564
Securities held-to-maturity	10	1,130,653	1,003,385	494,256	1,003,385
Loans, advances and financing	11	26,947,567	25,582,735	23,201,112	25,578,044
Other assets	12	336,602	242,109	412,846	239,763
Statutory deposits with Bank Negara Malaysia		775,224	839,600	650,300	839,600
Investment in subsidiary companies		-	-	522,042	72,041
Property, plant and equipment		255,092	244,392	238,418	229,835
Deferred tax assets		114,263	114,886	94,975	114,886
<b>Total Assets</b>		<b>60,682,258</b>	<b>57,620,294</b>	<b>55,600,211</b>	<b>57,671,714</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>					
Deposits from customers	13	42,885,107	39,916,490	38,691,389	39,990,690
Deposits and placements of banks and other financial institutions	14	2,542,329	2,066,162	2,344,203	2,066,162
Obligations on securities sold under repurchase agreements		8,445,162	9,521,596	7,838,719	9,521,596
Bills and acceptance payable		366,395	568,895	361,540	564,897
Floating rate certificate of deposits		415,662	417,916	415,662	417,916
Other liabilities	15	827,060	695,178	834,443	712,946
Subordinated Bonds		755,900	-	755,900	-
Provision for taxation		61,982	36,520	-	-
<b>Total Liabilities</b>		<b>56,299,597</b>	<b>53,222,757</b>	<b>51,241,856</b>	<b>53,274,207</b>
Share Capital		1,580,107	1,580,107	1,580,107	1,580,107
Reserves		3,110,704	3,091,805	3,086,398	3,091,775
Less: Treasury Shares		(308,150)	(274,375)	(308,150)	(274,375)
<b>Total Shareholders' Funds</b>		<b>4,382,661</b>	<b>4,397,537</b>	<b>4,358,355</b>	<b>4,397,507</b>
<b>Total Liabilities and Shareholders' Funds</b>		<b>60,682,258</b>	<b>57,620,294</b>	<b>55,600,211</b>	<b>57,671,714</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	26	<b>35,936,697</b>	<b>38,380,331</b>	<b>35,460,600</b>	<b>38,376,333</b>
<b>CAPITAL ADEQUACY</b>					
<b>Before deducting proposed dividends</b>					
Core capital ratio	21	14.96%	15.84%	17.01%	15.85%
Risk-weighted capital ratio	21	19.01%	17.37%	19.33%	17.11%
<b>After deducting proposed dividends</b>					
Core capital ratio	21	14.62%	15.21%	16.62%	15.22%
Risk-weighted capital ratio	21	18.66%	16.74%	18.94%	16.48%
Net asset per share (RM) *		2.88	2.88	2.86	2.88

\* The Net Assets per Share is based on the computation of Total Assets (including intangibles) minus Total Liabilities divided by total number of ordinary shares in circulation.

Hong Leong Bank Berhad

Condensed Financial Statements  
Unaudited Income Statement  
For The Financial Quarter Ended 31 December 2005

The Group

	Note	Current Quarter Ended 31/12/2005 RM'000	Corresponding Quarter Ended 31/12/2004 RM'000	Current Year Ended 31/12/2005 RM'000	Corresponding Year Ended 31/12/2004 RM'000
Interest income	16	566,587	527,332	1,132,076	1,052,428
Interest expense	17	(334,278)	(282,088)	(662,487)	(558,344)
Net interest income		232,309	245,244	469,589	494,084
Net income from Islamic Banking business		43,523	33,642	83,302	58,086
Other operating income	18	85,534	92,622	188,143	174,634
Net Income		361,366	371,508	741,034	726,804
Other operating expenses	19	(152,671)	(145,784)	(301,805)	(280,434)
Operating profit before provision Loan( <i>and financing</i> ) loss and provision	20	208,695	225,724	439,229	446,370
		(72,627)	(48,337)	(102,635)	(73,958)
Impairment loss - securities		-	-	(3,039)	-
Profit before taxation (and zakat)		136,068	177,387	333,555	372,412
Taxation		(37,784)	(52,008)	(93,125)	(106,815)
Zakat		(15)	(15)	(30)	(15)
Profit after taxation		98,269	125,364	240,400	265,582
Profit attributable to shareholders		98,269	125,364	240,400	265,582
Earnings per share - basic (sen)		6.4	7.9	15.7	16.8
Earnings per share - fully diluted (sen)		6.4	7.9	15.7	16.8

**Hong Leong Bank Berhad**  
**Condensed Financial Statements**  
**Unaudited Income Statement**  
**For The Financial Quarter Ended 31 December 2005**

<b>The Bank</b>					
	<b>Note</b>	<b>Current Quarter Ended 31/12/2005 RM'000</b>	<b>Corresponding Quarter Ended 31/12/2004 RM'000</b>	<b>Current Year Ended 31/12/2005 RM'000</b>	<b>Corresponding Year Ended 31/12/2004 RM'000</b>
Interest income	16	574,618	526,637	1,144,647	999,731
Interest expense	17	(342,499)	(282,171)	(675,443)	(532,811)
Net interest income		232,119	244,466	469,204	466,920
Net income from Islamic Banking business		-	33,642	-	54,362
Other operating income	18	85,510	903,761	187,684	981,913
Net Income		317,629	1,181,869	656,888	1,503,195
Other operating expenses	19	(131,592)	(145,994)	(260,480)	(274,540)
Operating profit before provision		186,037	1,035,875	396,408	1,228,655
Allowances for losses on loans and financing	20	(66,461)	(48,970)	(94,594)	(70,416)
Impairment loss - securities		-	-	(3,039)	-
Profit before taxation (and zakat)		119,576	986,905	298,775	1,158,239
Taxation		(33,427)	(279,060)	(83,908)	(327,825)
Zakat		-	(15)	-	(15)
Profit after taxation		86,149	707,830	214,867	830,399
Profit attributable to shareholders		86,149	707,830	214,867	830,399
Earnings per share - basic (sen)		5.6	44.9	14.1	52.6
Earnings per share - fully diluted (sen)		5.6	44.9	14.1	52.6

**Hong Leong Bank Berhad**  
**Condensed Financial Statements**  
**Unaudited Condensed Cash Flow Statement**  
**For The Financial Period Ended 31 December 2005**

	The Group		The Bank	
	Financial Period Ended 31/12/2005 RM'000	Financial Year Ended 31/12/2004 RM'000	Financial Period Ended 31/12/2005 RM'000	Financial Period Ended 31/12/2004 RM'000
<b>Operating activities</b>				
Profit before taxation	333,555	372,412	298,775	1,158,239
Adjustments for non-cash items	6,685	353,172	7,090	341,442
Operating profit before working capital changes	340,240	725,584	305,865	1,499,681
Income taxes and zakat paid	(104,468)	(82,480)	(121,728)	(73,300)
Net changes in working capital	(2,725,471)	(1,868,482)	(3,590,009)	1,600,926
Net cash flow from operating activities	(2,489,699)	(1,225,378)	(3,405,872)	3,027,307
Net cash flow from investing activities	(109,723)	201,294	(565,737)	(269,805)
Net cash flow from financing activities	(33,775)	(201,996)	(33,775)	(201,996)
Changes in cash and cash equivalents	(2,633,197)	(1,226,080)	(4,005,384)	2,555,506
Currency translation differences	6,492	3,327	6,492	3,327
Cash and cash equivalents at the beginning of year	11,124,578	13,935,646	11,125,551	10,166,102
Cash and cash equivalents at the end of period	8,497,873	12,712,893	7,126,659	12,724,935

**Condensed Financial Statements**  
**Hong Leong Bank Berhad**  
**Unaudited Statement of Changes in Equity For The Period Ended 31 December 2005**

<b>The Group</b>	← <b>Non-distributable</b> →					→ <b>Distributable</b>			<b>Total</b> RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair Value 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)	4,397,637
<b>Currency translation differences</b>	-	-	-	-	130	-	-	-	130
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	130	-	-	-	130
Net profit for the period	-	-	-	-	-	-	240,400	-	240,400
Unrealised loss arising from the change in fair value of available-of-sales securities	-	-	-	(46,508)	-	-	-	-	(46,508)
Fair value reserve realised on disposal of available-for-sale securities	-	-	-	(2,996)	-	-	-	-	(2,996)
Deferred Tax	-	-	-	(1,720)	-	-	-	-	(1,720)
Transfer to statutory reserve	-	-	65,314	-	-	-	(65,314)	-	-
Dividend paid	-	-	-	-	-	-	(170,407)	-	(170,407)
less: Treasury shares	-	-	-	-	-	-	-	(33,775)	(33,775)
<b>Closing Balance @ 31 December 2005</b>	<b>1,580,107</b>	<b>539,664</b>	<b>1,544,530</b>	<b>(50,405)</b>	<b>36,283</b>	<b>-</b>	<b>1,040,632</b>	<b>(308,150)</b>	<b>4,382,661</b>
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	-	(287)
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
<b>Currency translation differences</b>	-	-	-	-	1,124	-	-	-	1,124
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	1,124	-	-	-	1,124
Net profit for the period	-	-	-	-	-	-	265,582	-	265,582
Unrealised profit of revaluation of securities available for sale	-	-	-	-	-	-	-	-	-
Fair value reserve realised on disposal of available-for-sale securities	-	-	-	(1,061)	-	-	-	-	(1,061)
Deferred Tax	-	-	-	297	-	-	-	-	297
Transfer to statutory reserve	-	-	(305,766)	-	-	-	305,766	-	-
Dividend paid	-	-	-	-	-	-	(176,340)	-	(176,340)
less: Treasury shares	-	-	-	-	-	-	-	(25,656)	(25,656)
<b>Closing Balance @ 31 December 2004</b>	<b>1,580,107</b>	<b>539,664</b>	<b>1,411,153</b>	<b>(3,174)</b>	<b>35,427</b>	<b>(73,800)</b>	<b>1,025,426</b>	<b>(25,656)</b>	<b>4,489,147</b>

**Condensed Financial Statements**  
**Hong Leong Bank Berhad**  
**Unaudited Statement of Changes in Equity For The Period Ended 31 December 2005**

	← Non-distributable →				Distributable		Treasury Shares RM'000	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair value reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Profit RM'000		
<b>The Bank</b>								
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
<b>Currency translation differences</b>								
Currency translation differences	-	-	-	-	130	-	-	130
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	130	-	-	130
Net profit for the period	-	-	-	-	-	214,867	-	214,867
Unrealised loss arising from the change in fair value of available-of-sales securities	-	-	-	(45,251)	-	-	-	(45,251)
Fair value reserve realised on disposal of available-for-sale securities	-	-	-	(2,996)	-	-	-	(2,996)
Deferred Tax	-	-	-	(1,720)	-	-	-	(1,720)
Transfer to statutory reserve	-	-	53,717	-	-	(53,717)	-	-
Dividend paid	-	-	-	-	-	(170,407)	-	(170,407)
less: Purchase of Treasury Shares	-	-	-	-	-	-	(33,775)	(33,775)
<b>Closing Balance @ 31 December 2005</b>	<b>1,580,107</b>	<b>539,664</b>	<b>1,532,933</b>	<b>(49,148)</b>	<b>36,283</b>	<b>1,026,666</b>	<b>(308,150)</b>	<b>4,358,355</b>
<b>As at 1 July 2004</b>								
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	484,679	-	3,839,110
<b>Currency translation differences</b>								
Currency translation differences	-	-	-	-	1,124	-	-	1,124
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	1,124	-	-	1,124
Net profit for the period	-	-	-	-	-	830,399	-	830,399
Unrealised loss arising from the change in fair value of available-of-sales securities	-	-	-	(1,061)	-	-	-	(1,061)
Deferred Tax	-	-	-	297	-	-	-	297
Transfer to statutory reserve	-	-	208,386	-	-	(208,386)	-	-
Dividend paid	-	-	-	-	-	(176,340)	-	(176,340)
less Purchase of Treasury Shares	-	-	-	-	-	-	(25,656)	(25,656)
<b>Closing Balance @ 31 December 2004</b>	<b>1,580,107</b>	<b>539,664</b>	<b>1,411,153</b>	<b>(3,174)</b>	<b>35,427</b>	<b>830,352</b>	<b>(25,656)</b>	<b>4,467,873</b>

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

## **NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR FINANCIAL QUARTER ENDED 31 DECEMBER 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 31 December 2005 other than as mentioned below:-

**a) Share Buy-back**

During the financial period ended 31 December 2005, the Bank purchased a total of 6,678,300 of its issued share capital from the open market. The shares purchased are being held as treasury shares in accordance with the provision of Section 67A of the Companies Act, 1965.

Details of the shares bought back for the financial period ended 31 December 2005 are as follows:

<b>Month</b>	<b>No of shares bought back</b>	<b>Lowest price paid RM</b>	<b>Highest price paid RM</b>	<b>Average Price Paid RM</b>	<b>Total Consideration (including transaction cost) RM</b>
July-05	610,000	5.20	5.20	5.20	3,179,862
Aug-05	-	-	-	-	-
Sep-05	-	-	-	-	-
Oct-05	30,000	5.20	5.30	5.25	158,075
Nov-05	2,825,600	4.94	5.15	5.02	14,228,489
Dec-05	3,212,700	4.98	5.10	5.03	16,209,413
<b>For the Period</b>	<b>6,678,300</b>	<b>4.94</b>	<b>5.30</b>	<b>5.04</b>	<b>33,775,839</b>

The total number of shares bought back, all of which were held as treasury shares as at 31 December 2005 amounted to 58,221,000 shares, at an average price per share of RM5.28. 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



**b) Subordinated Bonds (continued)**

Malaysia or any other jurisdiction where the Bank has to pay tax in relation to the Bonds, at their principal amount plus accrued interest.

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

**7 Dividends Paid**

A final dividend of 15.5 sen per share less income tax at 28% in respect of financial year ended 30 June 2005 amounting to RM170.4 million was paid on 30 November 2005.

**8 Securities Held-for-trading**

	<b><u>The Group</u></b>		<b><u>The Bank</u></b>	
	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Year Ended 30/06/2005 RM'000</b>	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Year Ended 30/06/2005 RM'000</b>
<b>At Fair Value</b>				
Malaysian Government Treasury Bills	103,152	107,763	85,436	107,763
Malaysian Government Securities	19,333	15,692	19,333	15,692
Other Government Securities	-			
Bank Negara Malaysia (BNM) bills	636,467	1,427	341,744	1,427
Cagamas bonds	413,399	206,652	413,399	206,652
Bankers' acceptance and Islamic accepted bills	408,711	538,530	408,711	538,530
Negotiable instruments of deposit	2,440,004	1,670,101	2,035,512	1,670,101
Foreign currency bonds	56,646	-	56,646	-
	<u>4,077,712</u>	<u>2,540,165</u>	<u>3,360,781</u>	<u>2,540,165</u>
Quoted securities :				
Shares in Malaysia	41,191	9,078	41,191	9,078
Unquoted securities :				
Private debt securities	179,544	84,696	179,544	84,696
Total securities held-for-trading	<u>4,298,447</u>	<u>2,633,939</u>	<u>3,581,516</u>	<u>2,633,939</u>

9 Securities Available-for-sale

	<u>The Group</u>		<u>The Bank</u>	
	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Year Ended 30/06/2005 RM'000</b>	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Year Ended 30/06/2005 RM'000</b>
<b>At Fair Value</b>				
HK Government Exchange Fund	24,149	23,917	24,149	23,917
Government Treasury Bills	206,420	205,515	206,420	205,515
Malaysian Government Securities	2,604,155	25,293	2,604,155	25,293
Cagamas bonds	1,267,170	1,181,961	1,168,581	1,181,961
Foreign currency bonds	1,051,899	826,974	1,051,899	826,974
	<u>5,153,793</u>	<u>2,263,660</u>	<u>5,055,204</u>	<u>2,263,660</u>
Quoted Securities:				
Shares and convertible loan stocks	121,866	46,397	121,866	46,397
Shares outside Malaysia	-	314	-	314
Unquoted securities :				
Private debt securities	119,968	58,193	110,107	58,193
<b>Total securities available-for-sale</b>	<u><u>5,395,627</u></u>	<u><u>2,368,564</u></u>	<u><u>5,287,177</u></u>	<u><u>2,368,564</u></u>

10 Securities Held-to-maturity

	<u>The Group</u>		<u>The Bank</u>	
	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Year Ended 30/06/2005 RM'000</b>	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Year Ended 30/06/2005 RM'000</b>
<b>At Amortised Cost</b>				
Money market instruments :				
Malaysian Government securities	243,492	247,191	243,492	247,191
Malaysian Government investment certificates	153,237	253,797	31,969	253,797
Cagamas bonds	440,657	165,323	-	165,323
Foreign currency bonds	11,364	11,486	11,364	11,486
Foreign currency NCD	-	6,094	-	6,094
Khazanah bonds	9,027	9,027	-	9,027
	<u>857,777</u>	<u>692,918</u>	<u>286,825</u>	<u>692,918</u>
Unquoted securities :				
Shares	27,160	27,161	26,585	27,161
Private debt securities	214,770	235,774	149,900	235,774
Loan stocks	30,946	47,532	30,946	47,532
	<u>272,876</u>	<u>310,467</u>	<u>207,431</u>	<u>310,467</u>
<b>Total securities held-to-maturity</b>	<u><u>1,130,653</u></u>	<u><u>1,003,385</u></u>	<u><u>494,256</u></u>	<u><u>1,003,385</u></u>

## 11 Loans, Advances and Financing

	<u>The Group</u>		<u>The Bank</u>	
	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Year Ended 30/06/2005 RM'000</b>	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Year Ended 30/06/2005 RM'000</b>
Overdrafts	3,036,906	3,107,337	3,030,409	3,110,324
Term loans :				
- Housing loans/financing	12,384,541	11,047,892	11,472,123	11,047,892
- Syndicated term loan/financing	1,616,315	1,743,830	1,216,063	1,742,530
- Hire purchase receivables	6,635,973	6,423,928	3,331,411	6,423,928
- Lease receivables	21,969	8,015	-	-
- Other term loans/financing	1,119,019	1,133,780	1,010,650	1,133,780
Credit/charge card receivables	997,643	943,832	997,643	943,832
Bills receivables	312,451	354,378	312,367	354,378
Trust receipts	159,183	192,550	159,183	192,550
Claims on customers under acceptance credits	2,105,741	2,002,016	2,073,674	1,998,018
Block discounting	33,829	37,137	30,489	37,137
Revolving credits	618,389	580,792	618,389	580,792
Staff loans :				
Directors	-	-	-	-
Staffs other than Directors	122,547	129,145	122,406	129,145
Other loans/financing	71,350	80,223	69,852	80,223
	<u>29,235,856</u>	<u>27,784,855</u>	<u>24,444,659</u>	<u>27,774,529</u>
Unearned interest and income	<u>(1,308,269)</u>	<u>(1,323,989)</u>	<u>(346,956)</u>	<u>(1,323,989)</u>
Gross loans, advances and financing	27,927,587	26,460,866	24,097,703	26,450,540
Allowance for bad and doubtful debts and financing :				
- general	(410,647)	(412,877)	(353,561)	(412,817)
- specific	<u>(569,373)</u>	<u>(465,254)</u>	<u>(543,030)</u>	<u>(459,679)</u>
Net loans, advances and financing	<u>26,947,567</u>	<u>25,582,735</u>	<u>23,201,112</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>	
	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Year Ended 30/06/2005 RM'000</b>	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Year Ended 30/06/2005 RM'000</b>
Domestic banking institutions	151	153	151	153
Domestic non-bank financial institutions	62,536	65,748	65,143	68,732
Domestic business enterprises				
- Small and medium enterprises	4,045,660	4,577,643	3,695,017	4,569,628
- Others	5,027,369	4,429,596	4,556,992	4,429,596
Government and statutory bodies	119,757	116,132	119,757	116,132
Individuals	17,688,538	16,257,935	14,699,269	16,257,936
Other domestic entities	32,130	49,385	30,038	48,086
Foreign entities	951,446	964,274	931,336	960,277
Gross loans, advances and financing	<u>27,927,587</u>	<u>26,460,866</u>	<u>24,097,703</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>	
	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Year Ended 30/06/2005 RM'000</b>	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Year Ended 30/06/2005 RM'000</b>
Fixed rate				
- Housing loans/financing	2,752,069	2,641,038	2,456,308	2,640,007
- Hire purchase receivables	5,879,611	5,722,477	2,988,637	5,720,244
- Other fixed rate loan/financing	3,297,081	3,173,222	2,703,551	3,171,983
Variable rate				
- Base lending rate plus	12,542,156	11,615,037	12,500,168	11,610,504
- Cost plus	748,221	685,760	744,589	685,493
- Other variables rates	<u>2,708,449</u>	<u>2,623,332</u>	<u>2,704,450</u>	<u>2,622,309</u>
Gross loans, advances and financing	<u>27,927,587</u>	<u>26,460,866</u>	<u>24,097,703</u>	<u>26,450,540</u>

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

**11c By economic sector**

	<u>The Group</u>		<u>The Bank</u>	
	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Year Ended 30/06/2005 RM'000</b>	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Year Ended 30/06/2005 RM'000</b>
Agriculture	225,149	245,910	147,196	245,349
Mining and quarrying	34,797	36,513	31,225	36,480
Manufacturing	2,277,451	2,326,718	2,101,554	2,318,586
Electricity, gas and water	39,186	33,408	31,903	33,408
Construction	612,980	826,888	532,720	826,222
Real Estate	361,522	298,259	317,209	298,259
Purchase of landed properties (of which : - residential	9,409,587	8,445,304	8,956,305	8,445,304
- non-residential)	2,835,229	2,460,381	2,754,276	2,460,381
General commerce	1,893,131	1,862,706	1,725,875	1,862,310
Transport, storage and communication	274,556	273,484	229,291	273,484
Finance, insurance and business services	491,693	559,196	412,514	560,554
Purchase of securities	743,336	838,974	738,493	837,674
Purchase of transport vehicles	5,020,888	4,861,113	2,494,682	4,861,113
Consumption credit	2,240,534	2,119,050	2,231,100	2,119,050
Others	1,467,548	1,272,962	1,393,360	1,272,366
<b>Gross loans, advances and financing</b>	<b>27,927,587</b>	<b>26,460,866</b>	<b>24,097,703</b>	<b>26,450,540</b>

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

11d **Non-performing loans by sector**

	<b><u>The Group</u></b>		<b><u>The Bank</u></b>	
	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Year Ended 30/06/2005 RM'000</b>	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Year Ended 30/06/2005 RM'000</b>
Agriculture	3,310	4,253	2,959	3,880
Mining and quarrying	3,211	2,965	3,211	2,965
Manufacturing	287,955	279,311	285,387	276,940
Electricity, gas and water	664	685	547	685
Construction	133,856	265,392	132,321	264,969
Real estate	92,077	34,291	91,399	34,290
Purchase of landed properties (of which :- residential	353,961	352,820	328,853	352,820
- non-residential)	181,229	126,539	168,475	126,539
General commerce	111,685	121,484	110,842	121,391
Transport, storage and communication	46,184	48,071	45,742	47,904
Finance, insurance and business services	138,220	140,662	136,130	139,610
Purchase of securities	39,914	29,163	33,062	27,863
Purchase of transport vehicles	139,732	132,400	106,667	132,400
Consumption credit	85,489	77,785	84,942	77,785
Others	46,101	41,862	45,465	41,729
	<b><u>1,663,588</u></b>	<b><u>1,657,683</u></b>	<b><u>1,576,002</u></b>	<b><u>1,651,770</u></b>



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

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

	<u>The Group</u>		<u>The Bank</u>	
	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Year Ended 30/06/2005 RM'000</b>	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Year Ended 30/06/2005 RM'000</b>
At beginning	1,657,683	2,148,297	1,651,770	1,143,538
Non-performing during the period/year	1,572,616	2,634,676	1,450,024	2,594,192
Reclassified as performing	(1,302,506)	(1,971,777)	(1,206,242)	(1,939,560)
Amount written back in respect of recoveries	(229,316)	(549,807)	(214,224)	(541,864)
Amount written off	(35,328)	(605,478)	(35,328)	(547,204)
Amount vested (to)/from HLIB/ HLF*	-	-	(70,437)	940,896
Exchange differences	439	1,772	439	1,772
Closing balance	1,663,588	1,657,683	1,576,002	1,651,770
Specific allowance	(569,373)	(465,254)	(543,030)	(459,679)
Net non-performing loans, advances and financing	<u>1,094,215</u>	<u>1,192,429</u>	<u>1,032,972</u>	<u>1,192,091</u>
Net NPL as a % of gross loans, advances and financing less specific allowance	<u>4.0%</u>	<u>4.6%</u>	<u>4.4%</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>	
	<b>Financial Period Ended 31/12/2005</b> <b>RM'000</b>	<b>Financial Year Ended 30/06/2005</b> <b>RM'000</b>	<b>Financial Period Ended 31/12/2005</b> <b>RM'000</b>	<b>Financial Year Ended 30/06/2005</b> <b>RM'000</b>
<u>General Allowance</u>				
At beginning	412,877	366,955	412,817	248,162
Net provisions made during the year	(2,314)	45,697	(4,331)	47,311
Amount vested (to)/from HLIB/HLF*	-	-	(55,009)	117,119
Exchange differences	84	225	84	225
Closing balance	<u>410,647</u>	<u>412,877</u>	<u>353,561</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	180,091	304,207	169,169	292,367
Amount written back in respect of recoveries	(41,033)	(101,309)	(37,750)	(89,323)
Amount written off	(35,262)	(605,675)	(35,328)	(547,204)
Amount transferred to provision for diminution in value	-	(904)	-	(904)
Amount vested (to)/from HLIB/HLF*	-	-	(13,063)	286,997
Exchange differences	323	892	323	892
Closing balance	<u>569,373</u>	<u>465,254</u>	<u>543,030</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>	
	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Year Ended 30/06/2005 RM'000</b>	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Year Ended 30/06/2005 RM'000</b>
Interest/Income receivable	210,455	149,079	197,696	149,079
Other debtors, deposits and prepayments	123,138	89,871	113,271	87,525
Amount due from subsidiary company		-	98,870	-
Foreclosed properties	3,009	3,159	3,009	3,159
	<u>336,602</u>	<u>242,109</u>	<u>412,846</u>	<u>239,763</u>

**13 Deposits from Customers**

	<u>The Group</u>		<u>The Bank</u>	
	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Year Ended 30/06/2005 RM'000</b>	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Year Ended 30/06/2005 RM'000</b>
<u>By type of customer</u>				
Government and statutory bodies	937,634	318,002	393,563	318,002
Business enterprises	14,549,518	13,134,041	12,229,897	13,208,241
Individuals	24,784,885	25,241,952	25,154,973	25,241,952
Others	2,613,070	1,222,495	912,956	1,222,495
	<u>42,885,107</u>	<u>39,916,490</u>	<u>38,691,389</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 31/12/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/12/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
Licensed banks	2,298,519	2,066,162	2,165,393	2,066,162
Other financial institutions	243,810	-	178,810	-
	<u>2,542,329</u>	<u>2,066,162</u>	<u>2,344,203</u>	<u>2,066,162</u>

**15 Other Liabilities**

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/12/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
Interest/Profit payable	312,275	301,060	290,800	301,060
Zakat	67	27		27
Post employment benefits obligation				
- defined contribution plan	3,445	3,609	3,445	3,609
Loan advance payment	126,610	88,763	124,270	88,763
Amount due to subsidiary companies		-	5,675	34,347
Others	384,663	301,719	410,253	285,140
	<u>827,060</u>	<u>695,178</u>	<u>834,443</u>	<u>712,946</u>

16 Interest Income

	2 <sup>nd</sup> Quarter Ended		Cumulative Six Months Ended	
	31/12/2005 RM'000	31/12/2004 RM'000	31/12/2005 RM'000	31/12/2004 RM'000
<b>Group</b>				
Loan, advances and financing				
- Interest income other than recoveries from NPLs	296,492	280,794	584,482	591,892
- Recoveries from NPLs	39,578	64,888	83,858	102,895
Money at call and deposit placements with financial institutions	93,407	91,802	189,004	196,362
Securities purchased under resale agreement	54,833	8,428	126,966	8,428
Securities held-for-trading	32,659	35,644	56,525	63,521
Securities available-for-sale	56,259	53,432	90,092	93,740
Securities held-to-maturity	6,786	(8,519)	14,752	789
Others	(701)	5,829	6,164	10,903
	579,313	532,298	1,151,843	1,068,530
Amortisation of premium less accretion of discount	(7,424)	(3,166)	(10,457)	(12,775)
Interest suspended	(5,302)	(1,800)	(9,310)	(3,327)
	566,587	527,332	1,132,076	1,052,428

16 Interest Income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2005 RM'000	31/12/2004 RM'000	31/12/2005 RM'000	31/12/2004 RM'000
<b>Bank</b>				
Loan, advances and financing				
- Interest income other than recoveries from NPLs	296,931	290,105	584,344	559,378
- Recoveries from NPLs	39,592	54,165	83,858	91,928
Money at call and deposit placements with financial institutions	101,462	92,519	201,713	188,034
Securities purchased under resale agreements	54,833	8,428	126,966	8,428
Securities held-for-trading	32,659	35,644	56,525	63,521
Securities available-for-sale	56,259	54,221	90,092	93,740
Securities held-to-maturity	6,786	(9,305)	14,752	-
Others	(701)	5,829	6,164	10,774
	587,821	531,606	1,164,414	1,015,803
Amortisation of premium less accretion of discount	(7,424)	(3,169)	(10,457)	(12,745)
Interest suspended	(5,779)	(1,800)	(9,310)	(3,327)
	574,618	526,637	1,144,647	999,731

17 Interest Expense

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2005	31/12/2004	31/12/2005	31/12/2004
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Deposits and placements of banks and other financial institutions	70,371	50,972	146,655	93,423
Deposits from customers	253,813	230,794	498,929	464,475
Subordinated bonds	9,854	-	16,401	-
Others	240	322	502	446
	<u>334,278</u>	<u>282,088</u>	<u>662,487</u>	<u>558,344</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2005	31/12/2004	31/12/2005	31/12/2004
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Deposits and placements of banks and other financial institutions	78,426	50,972	159,445	91,875
Deposits from customers	253,979	230,877	499,095	440,490
Subordinated bonds	9,854	-	16,401	-
Others	240	322	502	446
	<u>342,499</u>	<u>282,171</u>	<u>675,443</u>	<u>532,811</u>

18 **Other Operating Income**

	<b>2nd Quarter Ended</b>		<b>Cumulative Six Months Ended</b>	
	<b>31/12/2005</b>	<b>31/12/2004</b>	<b>31/12/2005</b>	<b>31/12/2004</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Group</u></b>				
<b>(a) <u>Fee income :</u></b>				
Commissions	18,520	19,550	36,656	36,277
Service charges and fees	7,293	9,024	13,996	14,784
Guarantee fees	1,372	1,456	3,086	3,201
Other fee income	33,070	33,568	72,386	69,889
	<u>60,255</u>	<u>63,598</u>	<u>126,124</u>	<u>124,151</u>
<b>(b) <u>Gain/loss arising from sale of securities :</u></b>				
Net gain from sale of securities held-for-trading	3,987	7,731	8,426	10,396
Net gain from sale of securities available-for-sale	1,125	15,078	8,172	30,807
Net gain from redemption of securities held-to-maturity	-	-	4,042	-
	<u>5,112</u>	<u>22,809</u>	<u>20,640</u>	<u>41,203</u>
<b>(c) <u>Gross dividend income from:</u></b>				
Subsidiary companies	-	-	-	-
Securities held-for-trading	156	138	290	491
Securities available-for-sale	660	444	745	1,439
Securities held to maturity	741	325	741	325
	<u>1,557</u>	<u>907</u>	<u>1,776</u>	<u>2,255</u>



18 Other Operating Income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2005 RM'000	31/12/2004 RM'000	31/12/2005 RM'000	31/12/2004 RM'000
(d) <u>Unrealised losses on revaluation of securities held-for-trading and derivatives</u>	5,409	(3,966)	2,044	(11,576)
(e) <u>Other income :</u>				
Foreign exchange gain	10,672	6,343	31,635	13,773
Rental income	92	28	148	56
Gain on disposal of property and equipment (net)	95	867	265	1,361
Others	2,342	2,036	5,511	3,411
	<u>13,201</u>	<u>9,274</u>	<u>37,559</u>	<u>18,601</u>
Total other operating income	<u>85,534</u>	<u>92,622</u>	<u>188,143</u>	<u>174,634</u>

18 Other Operating Income

	2n Quarter Ended		Cumulative Six Months Ended	
	31/12/2005 RM'000	31/12/2004 RM'000	31/12/2005 RM'000	31/12/2004 RM'000
<b>Bank</b>				
<b>(a) Fee income :</b>				
Commissions	18,520	19,550	36,656	36,100
Service charges and fees	7,293	9,024	13,996	14,753
Guarantee fees	1,372	1,456	3,086	3,201
Other fee income	33,095	33,579	72,411	68,944
	<u>60,280</u>	<u>63,609</u>	<u>126,149</u>	<u>122,998</u>
<b>(b) Gain/loss arising from sale of securities :</b>				
Net gain from sale of securities held-for-trading	3,987	7,731	8,426	10,396
Net gain from sale of securities available-for-sale	1,125	15,078	8,172	29,219
Net gain from redemption of securities held-to-maturity	-	-	4,042	-
	<u>5,112</u>	<u>22,809</u>	<u>20,640</u>	<u>39,615</u>
<b>(c) Gross dividend income from:</b>				
Subsidiary companies	-	811,200	-	811,200
Securities held-for-trading	156	491	290	491
Securities available-for-sale	660	91	745	454
Securities held-to-maturity	741	325	741	325
	<u>1,557</u>	<u>812,107</u>	<u>1,776</u>	<u>812,470</u>

18 Other Operating Income (continued)

	2 <sup>nd</sup> Quarter Ended		Cumulative Six Months Ended	
	31/12/2005 RM'000	31/12/2004 RM'000	31/12/2005 RM'000	31/12/2004 RM'000
(d) <u>Unrealised losses on revaluation of securities held-for-trading and derivatives</u>	<u>5,409</u>	<u>(3,966)</u>	<u>2,044</u>	<u>(11,576)</u>
(e) <u>Other income :</u>				
Foreign exchange gain	10,672	6,343	31,635	13,773
Rental income	91	28	148	54
Gain on disposal of property and equipment (net)	95	867	265	1,354
Others	<u>2,294</u>	<u>1,964</u>	<u>5,027</u>	<u>3,225</u>
	<u>13,152</u>	<u>9,202</u>	<u>37,075</u>	<u>18,406</u>
	-			
Total other operating income	<u>85,510</u>	<u>903,761</u>	<u>187,684</u>	<u>981,913</u>

19 Other Operating Expenses

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2005 RM'000	31/12/2004 RM'000	31/12/2005 RM'000	31/12/2004 RM'000
<b><u>Group</u></b>				
<b><u>Personnel costs</u></b>				
- Salaries, allowances and bonuses	67,847	67,824	136,138	134,461
- Others	5,052	6,772	9,521	11,746
<b><u>Establishment costs</u></b>				
- Depreciation	13,926	12,092	27,704	23,979
- Rental	8,917	8,024	17,213	15,649
- Information technology expenses	7,650	6,549	15,187	11,546
- Others	7,804	6,991	15,503	13,441
<b><u>Marketing expenses</u></b>				
- Advertisement and publicity	9,610	8,199	17,659	13,052
- Handling fees	4,797	2,351	10,315	6,058
- Others	5,543	6,269	10,686	9,984
<b><u>Administration and general expenses</u></b>				
- Teletransmission expenses	1,748	1,365	3,838	2,833
- Stationery & printing	4,523	4,467	7,864	9,147
- Others	15,254	14,881	30,177	28,538
	<u>152,671</u>	<u>145,784</u>	<u>301,805</u>	<u>280,434</u>

19 Other Operating Expenses (continued)

	2 <sup>nd</sup> Quarter Ended		Cumulative Six Months Ended	
	31/12/2005 RM'000	31/12/2004 RM'000	31/12/2005 RM'000	31/12/2004 RM'000
<b><u>Bank</u></b>				
<b><u>Personnel costs</u></b>				
- Salaries, allowances and bonuses	66,876	67,824	134,318	131,721
- Others	4,875	6,772	9,207	11,746
<b><u>Establishment costs</u></b>				
- Depreciation	13,866	12,096	27,609	23,119
- Rental	9,013	8,334	17,372	16,051
- Information technology expenses	7,609	6,549	15,108	11,251
- Others	7,751	6,991	15,406	13,441
<b><u>Marketing expenses</u></b>				
- Advertisement and publicity	9,059	8,199	15,862	13,052
- Handling fees	1,771	2,351	4,162	4,732
- Others	5,468	6,269	10,537	9,890
<b><u>Administration and general expenses</u></b>				
- Teletransmission expenses	1,940	1,365	4,021	2,662
- Stationery & printing	4,502	4,363	7,827	8,905
- Shared service cost (recoveries)	(15,986)	-	(30,438)	-
- Others	14,848	14,881	29,489	27,970
	<u>131,592</u>	<u>145,994</u>	<u>260,480</u>	<u>274,540</u>

20 Allowance for Losses on Loans, Advances and Financing

	2 <sup>nd</sup> Quarter Ended		Cumulative Six Months Ended	
	31/12/2005	31/12/2004	31/12/2005	31/12/2004
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Allowance for bad and doubtful debts and financing :				
- general allowance (net)	14,080	15,097	(2,314)	23,424
- specific allowance	94,289	71,591	180,091	137,788
- specific allowance written back	(19,475)	(22,810)	(41,033)	(32,950)
Bad debts and financing written off	1,998	943	4,195	2,442
Bad debts and financing recovered	(18,265)	(16,484)	(38,304)	(56,746)
	<u>72,627</u>	<u>48,337</u>	<u>102,635</u>	<u>73,958</u>

	2 <sup>nd</sup> Quarter Ended		Cumulative Six Months Ended	
	31/12/2005	31/12/2004	31/12/2005	31/12/2004
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Allowance for bad and doubtful debts and financing :				
- general allowance (net)	11,871	15,104	(4,331)	25,087
- specific allowance	87,843	73,186	169,169	127,797
- specific allowance written back	(17,799)	(23,779)	(37,750)	(27,947)
Bad debts and financing written off	1,875	943	3,908	1,267
Bad debts and financing recovered	(17,329)	(16,484)	(36,402)	(55,788)
	<u>66,461</u>	<u>48,970</u>	<u>94,594</u>	<u>70,416</u>

21 Capital Adequacy

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/12/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
<b><u>Components of Tier - 1 and Tier - 2 Capital</u></b>				
<b>Tier -1 capital</b>				
Paid up share capital	1,580,107	1,580,107	1,580,107	1,580,107
Share premium	539,664	539,664	539,664	539,664
Retained profit, as restated	1,040,632	1,035,953	1,026,666	1,035,923
As previously stated	-	1,040,133	-	1,040,103
Prior year adjustments	-	(4,180)	-	(4,180)
Other Reserves	1,580,813	1,515,369	1,569,216	1,515,369
Less :Treasury Shares	(308,150)	(274,375)	(308,150)	(274,375)
Less : Deferred Tax	(114,263)	(114,886)	(94,975)	(114,886)
As previously stated	-	(115,204)	-	(115,204)
Prior year adjustments	-	318	-	318
<b>Total tier 1 capital</b>	<b>4,318,803</b>	<b>4,281,832</b>	<b>4,312,528</b>	<b>4,281,802</b>
<b>Tier - 2 capital</b>				
General provision	410,647	412,817	353,561	412,817
Subordinated bonds	755,900	-	755,900	-
<b>Total tier 2 capital</b>	<b>1,166,547</b>	<b>412,817</b>	<b>1,109,461</b>	<b>412,817</b>
<b>Total capital</b>	<b>5,485,350</b>	<b>4,694,649</b>	<b>5,421,989</b>	<b>4,694,619</b>
Less: Investment in subsidiary companies	-	-	(522,041)	(72,041)
<b>Total capital base</b>	<b>5,485,350</b>	<b>4,694,649</b>	<b>4,899,948</b>	<b>4,622,578</b>
<b><u>Before deducting proposed dividends</u></b>				
Core Capital Ratio	14.96	15.84	17.01	15.85
Risk-weighted Capital Ratio	19.01	17.37	19.33	17.11
<b><u>After deducting proposed dividends</u></b>				
Core Capital Ratio	14.62	15.21	16.62	15.22
Risk-weighted Capital Ratio	18.66	16.74	18.94	16.48

**21 Capital Adequacy (Continued)**

The profit after tax of the Group and the Bank for the half year ended 31 December 2005, had been subjected to a limited review by our external auditors. As such the Group's and the Bank's profit after tax for the half year ended 31 December 2005 have been included in the capital base used in the computation of the Group's and the Bank's Capital Adequacy Ratios respectively

**22 Group segmental reporting on revenue, profit and assets**

**Current Quarter ended 31/12/2005**

<u>By Business Segment</u>	<b>Personal Financial Services RM'000</b>	<b>Business Banking RM'000</b>	<b>Treasury RM'000</b>	<b>Total RM'000</b>
External revenue	100,845	87,258	173,263	361,366
Inter-segment revenue	144,575	(16,829)	(127,746)	-
Segment revenue	<u>245,420</u>	<u>70,429</u>	<u>45,517</u>	<u>361,366</u>
Segment profit before taxation	71,417	45,858	18,793	136,068
Taxation and zakat	-	-	-	(37,799)
Profit after taxation				<u>98,269</u>

**Financial Period Ended 31/12/2005**

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



23 Group segmental reporting on revenue, profit and assets

Current Quarter ended 31/12/2004

<u>By Business Segment</u>	Personal	Business	Treasury	Total
	Financial	Banking		
	Services	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000
External revenue	104,553	91,401	175,554	371,508
Inter-segment revenue	142,683	(21,392)	(121,291)	-
Segment revenue	<u>247,236</u>	<u>70,009</u>	<u>54,263</u>	<u>371,508</u>
Segment profit before taxation	102,733	37,178	37,476	177,387
Taxation and zakat				(52,023)
Profit after taxation				<u>125,364</u>

Financial Period Ended 31/12/2004

<u>By Business Segment</u>	Personal	Business	Treasury	Total
	Financial	Banking		
	Services	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000
External revenue	207,269	184,414	335,121	726,804
Inter-segment revenue	274,629	(43,546)	(231,083)	-
Segment revenue	<u>481,898</u>	<u>140,868</u>	<u>104,038</u>	<u>726,804</u>
Segment profit before taxation	198,819	97,812	75,781	372,412
Taxation and zakat				(106,830)
Profit after taxation				<u>265,582</u>
Segment assets	17,030,081	7,380,493	24,446,303	48,856,877
Unallocated assets				2,574,914
Total assets				<u>51,431,791</u>

## **24 Property, plant and equipment**

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

### **Material events subsequent to the end of the reporting period**

There were no material events subsequent to the end of the financial period ended 31 December 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 31 December 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 31/12/2005			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
<b>The Group</b>						
Direct credit substitutes	183,280	183,280	183,280	161,538	161,538	161,538
Transaction-related contingent items	246,749	123,375	123,375	308,963	154,482	154,481
Short-term self liquidating trade-related contingencies	538,600	107,720	107,720	469,936	93,987	93,188
Irrevocable commitments to extend credit :						
-maturity more than 1 year	4,277,674	2,138,838	2,138,838	4,122,753	2,061,377	2,061,377
-maturity less than 1 year	9,551,015	-	-	9,181,257	-	-
Foreign exchange related contracts	4,370,242	98,491	49,245	7,639,221	158,934	80,269
Interest rate related contracts	16,698,737	111,583	55,791	16,389,047	74,294	37,147
Equity related contracts	69,988	1,049	525	106,922	1,604	-
Miscellaneous	412	-	-	694	-	-
<b>Total</b>	<b>35,936,697</b>	<b>2,764,336</b>	<b>2,658,774</b>	<b>38,380,331</b>	<b>2,706,216</b>	<b>2,588,000</b>

## 26 Commitments and contingencies (continued)

	Financial Period Ended 31/12/2005			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
<b>The Bank</b>						
Direct credit substitutes	183,280	183,280	183,280	161,538	161,538	161,538
Transaction-related contingent items	246,576	123,288	123,288	308,963	154,482	154,481
Short-term self liquidating trade-related contingencies	529,644	105,929	105,929	465,938	93,188	93,188
Irrevocable commitments to extend credit :						
-maturity more than 1 year	3,852,117	1,926,059	1,926,059	4,122,753	2,061,377	2,061,377
-maturity less than 1 year	9,518,673	-	-	9,181,257	-	-
Foreign exchange related contracts	4,361,173	98,491	49,245	7,639,221	158,934	80,269
Interest rate related contracts	16,698,737	111,583	55,791	16,389,047	74,294	37,147
Equity related contracts	69,988	1,049	525	106,922	1,604	-
Miscellaneous	412	-	-	694	-	-
<b>Total</b>	<b>35,460,600</b>	<b>2,549,679</b>	<b>2,444,117</b>	<b>38,376,333</b>	<b>2,705,417</b>	<b>2,588,000</b>

## 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 31 December 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				
<b>Assets</b>									
Cash and short term funds	7,960,416	-	-	-	-	537,457	-	8,497,873	2.9
Deposits & placement with banks & other financial institutions	935,000	5,209,791	802,919	-	-	-	-	6,947,710	2.9
Securities purchased resale agreements	1,814,288	3,609,117	559,795	-	-	-	-	5,983,200	2.8
Securities held-for-trading	-	-	-	-	-	-	4,298,447	4,298,447	3.1
Securities available-for-sale	18,269	188,711	91,701	4,109,400	926,810	60,736	-	5,395,627	4.2
Securities held-to-maturity	22,603	35,594	310,220	743,397	12,586	6,253	-	1,130,653	5.0
Loans, advances and financing									
- performing	13,295,790	1,770,628	2,226,332	4,899,611	4,230,364	-	-	26,422,725	6.4
- non-performing	-	-	-	-	-	524,842	-	524,842	-
Other assets	-	-	-	-	-	336,602	-	336,602	-
Statutory deposits with Bank Negara	-	-	-	-	-	775,224	-	775,224	-
Investment in subsidiary companies	-	-	-	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-	255,092	-	255,092	-
Deferred tax assets	-	-	-	-	-	114,263	-	114,263	-
<b>Total assets</b>	<b>24,046,366</b>	<b>10,813,841</b>	<b>3,990,967</b>	<b>9,752,408</b>	<b>5,169,760</b>	<b>2,610,469</b>	<b>4,298,447</b>	<b>60,682,258</b>	
<b>Liabilities</b>									
Deposits from customers	17,072,766	9,074,725	12,196,680	281,894	-	4,259,042	-	42,885,107	2.6
Deposits & placement of banks & other financial institutions	2,043,437	460,876	37,795	-	-	221	-	2,542,329	2.8
Obligations on securities sold under repurchase agreements	8,116,752	328,410	-	-	-	-	-	8,445,162	2.7
Bills and acceptance payable	26,627	13,608	6,290	-	-	319,870	-	366,395	3.1
Floating rate certificate of deposits	-	-	415,662	-	-	-	-	415,662	3.5
Other liabilities	-	-	-	-	-	827,060	-	827,060	-
Subordinated Bonds	-	-	-	-	755,900	-	-	755,900	5.2
Provision for tax	-	-	-	-	-	61,982	-	61,982	-
<b>Total liabilities</b>	<b>27,259,582</b>	<b>9,877,619</b>	<b>12,656,427</b>	<b>281,894</b>	<b>755,900</b>	<b>5,468,175</b>	<b>-</b>	<b>56,299,597</b>	
Shareholders' funds	-	-	-	-	-	4,382,661	-	4,382,661	-
<b>Total liabilities and shareholders' funds</b>	<b>27,259,582</b>	<b>9,877,619</b>	<b>12,656,427</b>	<b>281,894</b>	<b>755,900</b>	<b>9,850,836</b>	<b>-</b>	<b>60,682,258</b>	
On-balance sheet profit sensitivity gap	(3,213,216)	936,222	(8,665,460)	9,470,514	4,413,860	(7,240,367)	4,298,447	-	
Off-balance sheet profit sensitivity gap	(10,000)	(753,900)	(20,000)	783,900	-	-	-	-	
<b>Total profit sensitivity gap</b>	<b>(3,223,216)</b>	<b>182,322</b>	<b>(8,685,460)</b>	<b>10,254,414</b>	<b>4,413,860</b>	<b>(7,240,367)</b>	<b>4,298,447</b>	<b>-</b>	

28 b) Interest/Profit Rate Risk

<u>Group</u> <u>As at 30 June 2005</u>	Non-trading Book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
<b>Assets</b>									
Cash and short term funds	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 Securities available-for-sale	70,182	212,181	171,798	1,888,376	2,804	4,777	2,633,939	2,633,939	3.1
Securities held-to-maturity	7,302	40,944	91,142	868,261	11,890	2,292	-	2,350,118	4.3
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	-
<b>Total assets</b>	<b>27,036,678</b>	<b>9,619,665</b>	<b>5,046,737</b>	<b>7,577,141</b>	<b>2,996,432</b>	<b>2,709,702</b>	<b>2,633,939</b>	<b>57,620,294</b>	
<b>Liabilities</b>									
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	-
<b>Total liabilities</b>	<b>28,312,103</b>	<b>7,226,329</b>	<b>12,311,829</b>	<b>73,853</b>	<b>-</b>	<b>5,298,643</b>	<b>-</b>	<b>53,222,757</b>	
Shareholders' funds						4,397,537		4,397,537	
<b>Total liabilities and shareholders' funds</b>	<b>28,312,103</b>	<b>7,226,329</b>	<b>12,311,829</b>	<b>73,853</b>	<b>-</b>	<b>9,696,180</b>	<b>-</b>	<b>57,620,294</b>	
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	-	-	-	
<b>Total profit sensitivity gap</b>	<b>(1,035,425)</b>	<b>472,691</b>	<b>(10,741,599)</b>	<b>(47,962)</b>	<b>3,013,834</b>	<b>(6,986,478)</b>	<b>2,633,939</b>	<b>-</b>	

28 c) Interest/Profit Rate Risk

Bank As at 31 December 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			
<b>Assets</b>									
Cash and short term funds	6,589,202	-	-	-	-	537,457	-	7,126,659	2.9
Deposits & placement with banks & other financial institutions	-	7,204,791	802,919	-	-	-	-	8,007,710	2.9
Securities purchased resale agreements	1,814,288	3,609,117	559,795	-	-	-	-	5,983,200	2.8
Securities held-for-trading	-	-	-	-	-	-	3,581,516	3,581,516	3.1
Securities available-for-sale	18,269	188,711	91,701	4,034,740	891,810	61,946	-	5,287,177	4.3
Securities held-to-maturity	12,516	20,627	120,360	328,670	12,586	(503)	-	494,256	5.7
Loans, advances and financing									
- performing	13,454,476	1,746,795	1,966,155	2,841,997	2,701,747	-	-	22,711,170	6.4
- non-performing	-	-	-	-	-	489,942	-	489,942	-
Other assets	-	-	-	-	-	412,846	-	412,846	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	650,300	-	650,300	-
Investment in subsidiary companies	-	-	-	-	-	522,042	-	522,042	-
Property, plant and equipment	-	-	-	-	-	238,418	-	238,418	-
Deferred tax assets	-	-	-	-	-	94,975	-	94,975	-
<b>Total assets</b>	<b>21,888,751</b>	<b>12,770,041</b>	<b>3,540,930</b>	<b>7,205,407</b>	<b>3,606,143</b>	<b>3,007,423</b>	<b>3,581,516</b>	<b>55,600,211</b>	
<b>Liabilities</b>									
Deposits from customers	16,371,791	7,437,017	10,376,297	247,242	-	4,259,042	-	38,691,389	2.6
Deposits & placement of banks & other financial institutions	1,890,311	415,876	37,795	-	-	221	-	2,344,203	2.8
Obligations on securities sold under repurchase agreements	7,510,309	328,410	-	-	-	-	-	7,838,719	2.7
Bills and acceptance payable	22,368	13,603	6,290	-	-	319,279	-	361,540	3.1
Floating rate certificate of deposits	-	-	415,662	-	-	-	-	415,662	3.5
Other liabilities	-	-	-	-	-	834,443	-	834,443	-
Subordinated Bonds	-	-	-	-	755,900	-	-	755,900	5.2
<b>Total liabilities</b>	<b>25,794,779</b>	<b>8,194,906</b>	<b>10,836,044</b>	<b>247,242</b>	<b>755,900</b>	<b>5,412,985</b>	<b>-</b>	<b>51,241,856</b>	
Shareholders' funds						4,358,355		4,358,355	
<b>Total liabilities and shareholders' funds</b>	<b>25,794,779</b>	<b>8,194,906</b>	<b>10,836,044</b>	<b>247,242</b>	<b>755,900</b>	<b>9,771,340</b>	<b>-</b>	<b>55,600,211</b>	
On-balance sheet profit sensitivity gap	(3,906,028)	4,575,135	(7,295,114)	6,958,165	2,850,243	(6,763,917)	3,581,516	(0)	
Off-balance sheet profit sensitivity gap	(10,000)	(753,900)	(20,000)	783,900					
<b>Total profit sensitivity gap</b>	<b>(3,916,028)</b>	<b>3,821,235</b>	<b>(7,315,114)</b>	<b>7,742,065</b>	<b>2,850,243</b>	<b>(6,763,917)</b>	<b>3,581,516</b>	<b>(0)</b>	

28 d) Interest/Profit Rate Risk

<u>Bank</u> <u>As at 30 June 2005</u>	← Non-trading Book →						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
<b>Assets</b>									
Cash and short term funds	10,627,664					497,887		11,125,551	2.8
Deposits & placement with banks & other financial institutions	-	3,510,327	27,287	-	-	-		-	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	-
<b>Total assets</b>	<b>27,018,698</b>	<b>9,618,412</b>	<b>5,046,737</b>	<b>7,577,141</b>	<b>2,996,432</b>	<b>2,780,355</b>	<b>2,633,939</b>	<b>57,671,714</b>	
<b>Liabilities</b>									
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	-
<b>Total liabilities</b>	<b>28,370,498</b>	<b>7,226,329</b>	<b>12,311,829</b>	<b>73,853</b>	<b>-</b>	<b>5,291,698</b>	<b>-</b>	<b>53,274,207</b>	
Shareholders' funds						4,397,507		4,397,507	
<b>Total liabilities and shareholders' funds</b>	<b>28,370,498</b>	<b>7,226,329</b>	<b>12,311,829</b>	<b>73,853</b>	<b>-</b>	<b>9,689,205</b>	<b>-</b>	<b>57,671,714</b>	
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	-	-	-	
<b>Total profit sensitivity gap</b>	<b>(1,111,800)</b>	<b>471,438</b>	<b>(10,741,599)</b>	<b>(47,962)</b>	<b>3,013,834</b>	<b>(6,908,850)</b>	<b>2,633,939</b>	<b>-</b>	



29 Operations of Islamic Banking

29a Unaudited Balance Sheets as at 31 December 2005

	Group		Bank	
	Financial Period Ended 31/12/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/12/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
<b><u>ASSETS</u></b>				
Cash and short-term funds	434,000	1,461,250	-	1,461,250
Deposits and placements with banks and other financial institutions	937,215	191,396	-	191,396
Securities - Held for trading	716,931	300,339	-	300,339
Securities - Available for sale	108,450	373,406	-	373,406
Securities - Held to maturity	636,397	-	-	-
Financing, advances and other financing	3,742,363	3,402,467	-	3,402,467
Other assets	23,099	17,563	-	17,563
Statutory deposits with Bank Negara Malaysia	124,924	51,150	-	51,150
Property, plant and equipment	2,183	105	-	105
Deferred tax assets	19,288	18,723	-	18,723
<b>Total Assets</b>	<b>6,744,850</b>	<b>5,816,399</b>	<b>-</b>	<b>5,816,399</b>
<b><u>LIABILITIES AND SHAREHOLDERS' FUNDS</u></b>				
Deposits from customers	5,277,540	4,889,360	-	4,889,360
Deposits and placements of banks and other financial institutions	198,126	91,750	-	91,750
Obligations on securities sold under repurchase agreements	606,443	246,600	-	246,600
Bills and acceptance payable	857	562	-	562
Other liabilities	133,126	125,472	-	125,472
Provision for taxation	6,821	38,373	-	38,373
<b>Total Liabilities</b>	<b>6,222,913</b>	<b>5,392,117</b>	<b>-</b>	<b>5,392,117</b>
Islamic banking capital fund	500,000	310,127	-	310,127
Reserves	21,937	114,155	-	114,155
<b>Islamic Banking Funds</b>	<b>521,937</b>	<b>424,282</b>	<b>-</b>	<b>424,282</b>
<b>Total Liabilities and Islamic Banking Funds</b>	<b>6,744,850</b>	<b>5,816,399</b>	<b>-</b>	<b>5,816,399</b>
<b><u>COMMITMENTS AND CONTINGENCIES</u></b>				
	<b>476,097</b>	<b>344,662</b>	<b>-</b>	<b>344,662</b>

## 29 Operations of Islamic Banking (continued)

29b Unaudited Income Statements for the 1st Quarter and Three Months Ended 31 December 2005

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2005 RM'000	31/12/2004 RM'000	31/12/2005 RM'000	31/12/2004 RM'000
<b>Group</b>				
Income derived from investment of deposits' funds and others	72,523	63,339	140,490	110,133
Income derived from investment of shareholders' funds	6,735	5,418	13,393	9,122
Allowance for losses on financing	(6,901)	(4,457)	(9,154)	(8,971)
Provision for commitments and contingencies				
Impairment loss	-	-	-	-
Profit equalisation reserve	3,975	(1,419)	3,975	(5,573)
Other expenses directly attributable to the investment of the deposits and shareholders' funds	-	-	-	-
<b>Total distributable income</b>	<b>76,332</b>	<b>62,881</b>	<b>148,704</b>	<b>104,711</b>
Income attributable to deposits	(39,711)	(31,852)	(74,312)	(55,596)
<b>Total net income</b>	<b>36,621</b>	<b>31,029</b>	<b>74,392</b>	<b>49,115</b>
Other operating expenses	(21,379)	(2,180)	(42,037)	(4,367)
<b>Profit before taxation and zakat</b>	<b>15,242</b>	<b>28,849</b>	<b>32,355</b>	<b>44,748</b>
Zakat	(15)	(15)	(30)	(15)
Taxation	(4,309)	(5,210)	(9,131)	(5,737)
<b>Profit after taxation and zakat</b>	<b>10,918</b>	<b>23,624</b>	<b>23,194</b>	<b>38,996</b>
Profit attributable to shareholders	<b>10,918</b>	<b>23,624</b>	<b>23,194</b>	<b>38,996</b>
Earnings per share - basic (sen)	<b>2.18</b>	<b>7.62</b>	<b>4.64</b>	<b>12.57</b>
Earnings per share - fully diluted (sen)	<b>2.18</b>	<b>7.62</b>	<b>4.64</b>	<b>12.57</b>

29 Operations of Islamic Banking (continued)

29b Unaudited Income Statements for the 1st Quarter and Three Months Ended 31 December 2005  
(continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2005 RM'000	31/12/2004 RM'000	31/12/2005 RM'000	31/12/2004 RM'000
<b>Bank</b>				
Income derived from investment of deposits' funds and others	-	63,339	-	98,530
Income derived from investment of shareholders' funds	-	5,418	-	8,129
Allowance for losses on financing	-	(4,457)	-	(7,897)
Provision for commitments and contingencies	-	-	-	-
Impairment loss	-	-	-	-
Profit equalisation reserve	-	(1,419)	-	(2,023)
Other expenses directly attributable to the investment of the deposits and shareholders' funds	-	-	-	-
<b>Total distributable income</b>	-	<b>62,881</b>	-	<b>96,739</b>
Income attributable to deposits	-	(31,852)	-	(50,274)
<b>Total net income</b>	-	<b>31,029</b>	-	<b>46,465</b>
Other operating expenses	-	(2,180)	-	(3,600)
<b>Profit before taxation and zakat</b>	-	<b>28,849</b>	-	<b>42,865</b>
Zakat	-	(15)	-	(15)
Taxation	-	(5,210)	-	(5,210)
<b>Profit after taxation and zakat</b>	-	<b>23,624</b>	-	<b>37,640</b>
Profit attributable to shareholders	-	<b>23,624</b>	-	<b>37,640</b>
Earnings per share - basic (sen)	-	<b>7.62</b>	-	<b>12.14</b>
Earnings per share - fully diluted (sen)	-	<b>7.62</b>	-	<b>12.14</b>

29 Operations of Islamic Banking (continued)

29c Financing, advances and other financing

(i) By type

	Group		Bank	
	Financial Period Ended 31/12/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/12/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
Cash line	9,128	10,056	-	10,056
Term financing				
- House financing	896,421	1,487,953	-	1,487,953
- Hire purchase receivable	3,304,892	2,898,065	-	2,898,065
- Lease receivable	14,918	-	-	-
- Other term financing	523,388	-	-	-
Claims on customers under acceptance credits	28,069	17,347	-	17,347
Staff financing	141	126	-	126
Revolving credit	3,340	3,050	-	3,050
Others	1,582	55	-	55
	<u>4,781,879</u>	<u>4,416,652</u>	-	<u>4,416,652</u>
Less: Unearned income	<u>(961,299)</u>	<u>(946,113)</u>	-	<u>(946,113)</u>
	<u>3,820,580</u>	<u>3,470,539</u>	-	<u>3,470,539</u>
Less: Allowance for bad and doubtful financing				
- General	(57,026)	(55,009)	-	(55,009)
- Specific	(21,191)	(13,063)	-	(13,063)
Total net financing, advances and other financing	<u><u>3,742,363</u></u>	<u><u>3,402,467</u></u>	<u><u>-</u></u>	<u><u>3,402,467</u></u>

(ii) By contract

	Group		Bank	
	Financial Period Ended 31/12/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/12/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
Bai' Bithaman Ajil (deferred payment sale)	907,817	930,530	-	930,530
Ijarah (lease)	13,458	-	-	-
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,890,588	2,518,695	-	2,518,695
Murabahah (cost-plus)	8,717	21,314	-	21,314
	<u><u>3,820,580</u></u>	<u><u>3,470,539</u></u>	<u><u>-</u></u>	<u><u>3,470,539</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 31/12/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/12/2005 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	122,169	207,494	-	207,494
Reclassified as performing	(95,829)	(178,589)	-	(178,589)
Amount recovered	(14,596)	(31,759)	-	(31,759)
Amount written off	-	(24,410)	-	(22,060)
At end	<u>82,181</u>	<u>70,437</u>	<u>-</u>	<u>70,437</u>
Net non-performing financing, advances and other financing	<u>60,990</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 31/12/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/12/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
<b>General allowance</b>				
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)	2,017	16,208	-	16,125
At end	<u>57,026</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>
<b>Specific allowance</b>				
At beginning	13,063	30,125	13,063	597
Amount transferred from HLF	-	-	-	30,512
Amount transferred to HLIB	-	-	(13,063)	-
Allowance made	10,826	15,805	-	14,349
Amount recovered	(2,631)	(6,160)	-	(5,689)
Amount written off	(67)	(26,707)	-	(26,706)
At end	<u>21,191</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
<b>Non-Mudharabah</b>				
Demand deposits	83,315	117,778	-	117,778
Savings deposits	389,049	529,808	-	529,808
Negotiable instruments of deposit	874,114	-	-	-
Others	1,758	233	-	233
	<u>1,348,236</u>	<u>647,819</u>	<u>-</u>	<u>647,819</u>
<b>Mudharabah</b>				
Demand deposits	27,242	-	-	-
Saving deposits	199,838	-	-	-
General investment deposits	3,702,224	4,241,541	-	4,241,541
	<u>3,929,304</u>	<u>4,241,541</u>	<u>-</u>	<u>4,241,541</u>
	<u>5,277,540</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**

Effective 1<sup>st</sup> July 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>3,091,805</u>	<u>3,095,166</u>	<u>3,091,775</u>	<u>3,095,136</u>
(ii) Income statement for the 2nd quarter ended 31 December 2004				
Other operating income	92,622	94,807	903,761	905,946
Net income	371,508	373,693	1,181,869	1,184,054
Operating profit	225,724	227,909	1,035,875	1,038,060
Allowance for losses on loans, advances and financing	(48,337)	(48,337)	(48,970)	(48,970)
Profit before tax expense and zakat	177,387	179,572	986,905	989,090
Tax expense and zakat	(52,023)	(52,635)	(279,075)	(279,687)
Profit after tax expense	<u>125,364</u>	<u>126,937</u>	<u>707,830</u>	<u>709,403</u>
Earnings per share				
Basic (sen)	7.9	8.1	44.8	45.0
Fully diluted (sen)	7.9	8.1	44.8	45.0

b) **Prior Year Adjustments (continued)**

	<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
(iii) Income statement for the Cumulative Six months ended 31 December 2004				
Other operating income	174,634	179,004	981,913	986,283
Net income	726,804	731,174	1,503,195	1,507,565
Operating profit	446,370	450,740	1,228,655	1,233,025
Allowance for losses on loans, advances and financing	(73,958)	(73,958)	(70,416)	(70,416)
Profit before tax expense and zakat	372,412	376,782	1,158,239	1,162,609
Tax expense and zakat	(106,830)	(108,054)	(327,840)	(329,064)
Profit after tax expense	<u>265,582</u>	<u>268,728</u>	<u>830,399</u>	<u>833,545</u>
Earnings per share				
Basic (sen)	16.8	17.0	52.6	52.8
Fully diluted (sen)	16.8	17.0	52.6	52.8

**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 RM136.1 million for the current financial quarter ended 31 December 2005, a decrease of RM41.3 million as compared to previous corresponding quarter. Net Income was lower by RM10.1 million due narrower spreads earned while loan loss provisioning also increased by RM24.3 million.

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

The Group's pre-tax profit for the half year ended 31 December 2005 stood at RM333.6 million, a decrease of RM38.8 million as compared to RM372.4 million in the previous corresponding period due to higher loan loss provision and operating expenses. Net income increased by RM14.2 million, which was spurred by the growth in net income from Islamic banking as well as other fee income of RM13.5 million.

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

For the current financial quarter, the Group recorded a pre-tax profit of RM136.1 million as compared to RM197.5 million in the preceding quarter, a decrease of RM61.4 million. Loan loss provision increased by RM42.6 million, mainly from higher specific provision charged.

**3 Current year prospect**

Barring unforeseen circumstances, the Group are optimistic of delivering satisfactorily 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

	<b>Current Quarter Ended 31/12/2005 RM'000</b>	<b>Corresponding Quarter Ended 31/12/2004 RM'000</b>	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Period Ended 31/12/2004 RM'000</b>
<b>The Group</b>				
Malaysian income tax	40,568	56,237	91,372	114,367
Overseas tax	-	-	-	-
	<u>40,568</u>	<u>56,237</u>	<u>91,372</u>	<u>114,367</u>
Transfer from/ (to) deferred taxation	<u>(2,784)</u>	<u>(4,229)</u>	<u>1,753</u>	<u>(7,552)</u>
	<u><u>37,784</u></u>	<u><u>52,008</u></u>	<u><u>93,125</u></u>	<u><u>106,815</u></u>
<b>The Bank</b>				
Malaysian income tax	36,776	283,289	82,720	334,849
Overseas tax	-	-	-	-
	<u>36,776</u>	<u>283,289</u>	<u>82,720</u>	<u>334,849</u>
Transfer from/(to) deferred taxation	<u>(3,349)</u>	<u>(4,229)</u>	<u>1,188</u>	<u>(7,024)</u>
	<u><u>33,427</u></u>	<u><u>279,060</u></u>	<u><u>83,908</u></u>	<u><u>327,825</u></u>

The Group's and the Bank's effective tax rate for the financial year approximates the statutory tax rate.

## 6 Profit on sale of unquoted investments/properties

There were no material gains or losses on disposal of unquoted investments (other than in the ordinary course of business) and/or properties for the financial period under review.

## 7 Purchase and disposal of quoted securities

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

## 8 Status of corporate proposals

There were no corporate proposals announced but not completed as at the date of this report other than as mentioned below: -

The Company had, on 8 November 2005, announced that the shareholders of the Company had approved the establishment of a new Executive Share Option Scheme ("Scheme") of up to 15% of the issued and paid-up ordinary share capital of the Company.

Approval from Bursa Malaysia Securities Berhad for the listing of and quotation of the new ordinary shares of the Company to be issued pursuant to the exercise of options under the Scheme was obtained on 17 January 2006. The Scheme was established on 23 January 2006.

## 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 31/12/2005 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/12/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
<b>Deposits from customers</b>				
Fixed deposits	29,413,857	28,855,935	26,783,932	28,918,328
Negotiable instruments of deposit	2,948,776	1,095,999	2,074,662	1,095,999
Demand deposits	4,010,070	3,717,928	3,911,036	3,729,735
Savings deposits	6,266,609	6,100,599	5,677,722	6,100,599
Other	245,795	146,029	244,037	146,029
	<u>42,885,107</u>	<u>39,916,490</u>	<u>38,691,389</u>	<u>39,990,690</u>
<b>The maturity structure of fixed deposits and negotiable instruments :</b>				
One year or less (short term)	32,214,732	29,878,080	28,710,693	29,940,473
More than one year (medium/long term)	147,901	73,854	147,901	73,854
	<u>32,362,633</u>	<u>29,951,934</u>	<u>28,858,594</u>	<u>30,014,327</u>

**10 Deposits and debt securities (continued)**

	<u>The Group</u>		<u>The Bank</u>	
	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Year Ended 30/06/2005 RM'000</b>	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Year Ended 30/06/2005 RM'000</b>
<b>Deposits and placements of banks and other financial institutions</b>				
Licensed banks	2,298,519	2,066,162	2,165,393	2,066,162
Other financial institutions	243,810	-	178,810	-
	<u>2,542,329</u>	<u>2,066,162</u>	<u>2,344,203</u>	<u>2,066,162</u>
<b>The maturity structure of deposits and placements of banks and other financial institutions :</b>				
One year or less (short term)	2,542,329	2,066,162	2,344,203	2,066,162
More than one year (medium/long term)	-	-	-	-
	<u>2,542,329</u>	<u>2,066,162</u>	<u>2,344,203</u>	<u>2,066,162</u>

**11 Floating Rate Certificate of Deposits**

	<b>The Group and The Bank</b>	
	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Year Ended 30/06/2005 RM'000</b>
Floating rate certificate of deposits - USD110 million	<u>415,662</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**

	<b>The Group and The Bank</b>	
	<b>Financial Period Ended</b>	<b>Financial Year Ended</b>
	<b>31/12/2005</b>	<b>30/06/2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Subordinated Bonds		
- USD200 million	<u>755,900</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 31 December 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	1,969,364	1,521,313	256,212	120,503	71,336	-	
- swaps	1,457,251	1,114,145	183,723	122,024	37,359	-	
- options	943,627	393,368	400,142	68,748	76,191	5,178	
Interest rate related contracts							
- forwards							
- futures	11,738,365	41,574	1,286,000	1,174,000	2,462,655	6,774,136	-
- swaps	4,960,372	30,000	48,745	310,000	510,000	4,040,445	21,182
<b>Total</b>	<b>21,068,979</b>	<b>3,100,400</b>	<b>2,174,822</b>	<b>1,795,275</b>	<b>3,157,541</b>	<b>10,819,759</b>	<b>21,182</b>

#### The Bank

Items	Principal Amount	1 mth or less	>1 – 3 Mths	>3 – 6 mths	>6 –12 Mths	>1 – 5 Yrs	>5 yrs
RM'000							
Foreign exchange related contracts							
- forwards	1,960,295	1,512,244	256,212	120,503	71,336	-	
- swaps	1,457,251	1,114,145	183,723	122,024	37,359	-	
- options	943,627	393,368	400,142	68,748	76,191	5,178	
Interest rate related contracts							
- forwards	-	-	-	-	-	-	-
- futures	11,738,365	41,574	1,286,000	1,174,000	2,462,655	6,774,136	-
- swaps	4,960,372	30,000	48,745	310,000	510,000	4,040,445	21,182
<b>Total</b>	<b>21,059,910</b>	<b>3,091,331</b>	<b>2,174,822</b>	<b>1,795,275</b>	<b>3,157,541</b>	<b>10,819,759</b>	<b>21,182</b>

### **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 RM308,514,000 (FYE June 2005: RM552,922,000) and RM16,699,737,000 (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 RM49,686,000 (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

An interim dividend of 9.0 sen per share less income tax of 28% has been proposed for the current quarter.

- (i) Amount per share: 9.0 sen (less 28% taxation).
- (ii) Previous corresponding quarter: 8.5 sen per share (less 28% taxation).
- (iii) Entitlement date: 15 March 2006
- (iv) Payment date: 28 March 2006

#### 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.

	<b>Current Quarter Ended 31/12/2005 RM'000</b>	<b>Corresponding Quarter Ended 31/12/2004 RM'000</b>	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Period Ended 31/12/2004 RM'000</b>
<b><u>The Group</u></b>				
Profit after taxation	98,269	125,364	240,400	265,582
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	(54,198)	(3,024)	(53,146)	(1,727)
	<u>1,525,909</u>	<u>1,577,083</u>	<u>1,526,961</u>	<u>1,578,380</u>
<b>Basic earnings per share (sen)</b>	<b>6.4</b>	<b>7.9</b>	<b>15.7</b>	<b>16.8</b>
<b><u>The Bank</u></b>				
Profit after taxation	86,149	707,830	214,867	830,399
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	(54,198)	(3,024)	(53,146)	(1,727)
	<u>1,525,909</u>	<u>1,577,083</u>	<u>1,526,961</u>	<u>1,578,380</u>
<b>Basic earnings per share (sen)</b>	<b>5.6</b>	<b>44.9</b>	<b>14.1</b>	<b>52.6</b>

**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.

	<b>Current Quarter Ended 31/12/2005 RM'000</b>	<b>Corresponding Quarter Ended 31/12/2004 RM'000</b>	<b>Financial Period Ended 31/12/2005 RM'000</b>	<b>Financial Period Ended 31/12/2004 RM'000</b>
<b><u>The Group</u></b>				
Profit after taxation	98,269	125,364	240,400	265,582
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the year	1,525,909	1,577,083	1,526,961	1,578,380
- adjustment for ESOS	-	-	-	-
	1,525,909	1,577,083	1,526,961	1,578,380
<b>Fully diluted earnings per share (sen)</b>	6.4	7.9	15.7	16.8
<b><u>The Bank</u></b>				
Profit after taxation	86,149	707,830	214,867	830,399
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the year	1,525,909	1,577,083	1,526,961	1,578,380
- adjustment for ESOS	-	-	-	-
	1,525,909	1,577,083	1,526,961	1,578,380
<b>Fully diluted earnings per share (sen)</b>	5.6	44.9	14.1	52.6