

L A P O R A N  
T A H U N A N

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A N N U A L  
R E P O R T



**Hong Leong Bank Berhad** (97141-X)

A Member of the Hong Leong Group Malaysia

OUR VISION  
AN OUTSTANDING FINANCIAL SERVICES  
ORGANISATION,

HIGHLY COMPETITIVE AND PROFITABLE,

WHERE PEOPLE MAKE THE  
DIFFERENCE

our core values  
INTEGRITY ■ TRUST ■ SERVICE

## CONTENTS

### Corporate Section

2 The Hong Leong Bank Story / 4 Corporate information / 5 Notice of annual general meeting / 6 Statement accompanying notice of annual general meeting / 8 Directors' profile / 13 Board audit & risk management committee report / 18 Corporate governance & internal control / 23 Financial highlights / 25 Chairman's statement

### Financial Section

33 Directors' report / 44 Balance sheets / 45 Income statements / 46 Statements of changes in equity / 48 Cash flow statements / 50 Notes to the financial statements / 141 Statement by directors / 141 Statutory declaration / 142 Auditors' report / 143 Other information / 151 Network of branches / Proxy form

# The Hong Leong Bank Story



Hong Leong Bank, a public listed company on the Malaysian Stock Exchange, is a member of the Hong Leong Group Malaysia (the Group). Headquartered in Malaysia, the Group has been in the financial services industry since 1968 through Hong Leong Finance Berhad and since 1982 through Dao Heng Bank Ltd in Hong Kong. Dao Heng Bank Ltd has since been sold to another banking institution. Today, the Group controls a total of 14 listed companies worldwide with a combined market capitalization in excess of USD12 billion.

With more than 100 years of banking knowledge and experience, Hong Leong Bank has a strong market position and well-recognized business franchise. Hong Leong Bank, one of the leading local banks in Malaysia, has won many recognitions and accolades over the years; the Finance Asia 2002 Asia's Best Companies Award, the KPMG 2003 Shareholder Value Award and the CGC Top SMI Supporter Award 2004.

Hong Leong Bank Berhad started its humble beginnings in 1905 in Kuching, Sarawak, Malaysia under the name of Kwong Lee Mortgage & Remittance Company and later in 1934, incorporated as Kwong Lee Bank Limited. In 1989, it was renamed MUI Bank, operating in 35 branches. In January 1994, the Group acquired MUI Bank through Hong Leong Credit Berhad. This milestone saw the birth of Hong Leong Bank and in the same year in October, Hong Leong Bank was listed on the Kuala Lumpur Stock Exchange.

In 2004, the finance company business of Hong Leong Finance Berhad was acquired by Hong Leong Bank. Today, the enlarged, merged entity has over 185 branches in Malaysia, Singapore and Hong Kong.

Hong Leong Group Malaysia (the Group) is one of the largest business conglomerates in Malaysia and internationally. The strong foundation and solid growth of the Group is attributed to the Power of Vision – the Vision of its Executive Chairman, Tan Sri Quek Leng Chan. Today that Vision is manifested and entrenched in the Group's corporate culture, which is firmly rooted on the Group's core values of quality, entrepreneurship, innovation, honour, human resource, unity, progress and social responsibility.

The Group believes in embedding itself in the country and community within which it operates. Through its financial services arm Hong Leong Credit, which comprises of Hong Leong Bank, Hong Leong Assurance and HLG Capital, the Group is well positioned as an integrated financial services provider.

With the aim of participating in the fast expanding market of Islamic financing, Hong Leong Islamic Bank, a wholly-owned subsidiary of Hong Leong Bank, was incorporated in March 2005.

*"A company is not an organization.  
It takes people to transform a company into an organization"*  
– Hong Leong Group Malaysia.

Driven by  
**INTEGRITY**



Transforming relationships through responsibility and honesty

# Corporate Information

## DIRECTORS

**YBhg Tan Sri Quek Leng Chan**  
Chairman

**Ms Yvonne Chia**  
Group Managing Director /  
Chief Executive

**Encik Zulkiflee Hashim**  
Executive Director

**Mr Chew Peng Cheng**

**Mr Kwek Leng Hai**

**Mr Kwek Leng Seng**

**YBhg Datuk Dr Hussein Awang**

**Mr Tan Keok Yin**

**YBhg Datuk Mohamed Nazim  
Bin Abdul Razak**

**Mr Tsui King Chung, David**

## SECRETARY

**Ms Loh Bee Hong**

## AUDITORS

**Messrs PricewaterhouseCoopers**  
Chartered Accountants  
11<sup>th</sup> Floor, Wisma Sime Darby  
Jalan Raja Laut  
50350 Kuala Lumpur  
Tel : 03-2693 1077  
Fax : 03-2693 0997

## REGISTRAR

**Hong Leong Share Registration Services Sdn Bhd**  
Level 5, Wisma Hong Leong  
18 Jalan Perak, 50450 Kuala Lumpur  
Tel : 03-2164 1818  
Fax : 03-2164 3703

## REGISTERED OFFICE

Level 6, Wisma Hong Leong  
18 Jalan Perak, 50450 Kuala Lumpur  
Tel : 03-2164 8228  
Fax : 03-2164 2503

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixty-fourth Annual General Meeting of Hong Leong Bank Berhad (“Bank”) will be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 8 November 2005 at 10.30 a.m. in order:

1. To receive and consider the audited financial statements together with the reports of the Directors and Auditors thereon for the year ended 30 June 2005;
2. To declare a final dividend of 15.5 sen per share less income tax at 28% for the year ended 30 June 2005 to be paid on 30 November 2005 to shareholders registered in the Record of Depositors on 15 November 2005;
3. To approve the payment of Directors’ fees of RM527,397 to be divided amongst the Directors in such manner as the Directors may determine;
4. To re-elect YBhg Tan Sri Quek Leng Chan, YBhg Datuk Dr Hussein Awang and Mr Tan Keok Yin, the retiring Directors;
5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Bank and authorise the Directors to fix their remuneration;
6. As a special business, to consider and, if thought fit, pass the following ordinary motion:

the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued capital of the Bank for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Bank.”; and
7. To consider any other business of which due notice shall have been given.

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

- (a) shares transferred into the depositor’s securities account before 4.00 p.m. on 15 November 2005 in respect of ordinary transfers; and
- (b) shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

## **AUTHORITY TO DIRECTORS TO ISSUE SHARES**

“**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Bank, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that

By Order of the Board

LOH BEE HONG  
Secretary

Kuala Lumpur  
17 October 2005

## **NOTES :**

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy may but need not be a member of the Bank and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Bank. A member who is an authorised nominee may appoint not more than two proxies in respect of each securities account it holds.
2. The Form of Proxy must be deposited at the Registered Office of the Bank at Level 6, Wisma Hong Leong, 18, Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.
3. **Ordinary Resolution On Authority To Directors To Issue Shares**

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

# Statement Accompanying Notice of Annual General Meeting

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

## **1. Directors who are standing for re-election at the 64th Annual General Meeting of the Bank**

Pursuant to Article 113 of the Bank's Articles of Association

YBhg Tan Sri Quek Leng Chan

YBhg Datuk Dr Hussein Awang

Mr Tan Keok Yin

## **2. Details of attendance of Directors at Board Meetings**

There were ten (10) Board meetings held during the financial year ended 30 June 2005. Details of attendance of the Directors are set out in the Directors' Profile appearing on pages 8 to 12 of the Annual Report.

## **3. Place, Date and Time of 64th Annual General Meeting**

The 64th Annual General Meeting of the Bank will be held at Level 1, Wisma Hong Leong, 18, Jalan Perak, 50450 Kuala Lumpur on Tuesday, 8 November 2005 at 10.30 a.m.

## **4. Further details of individuals who are standing for election as Directors**

No individual is seeking election at the forthcoming 64th Annual General Meeting of the Bank.

Foundation of  
**TRUST**



Transforming Your Aspirations of Tomorrow Today



# Directors' Profile

## **YBHG TAN SRI QUEK LENG CHAN**

Chairman/Non-Independent

Aged 62, Tan Sri Quek Leng Chan, a Malaysian, qualified as a Barrister-at-Law from Middle Temple, United Kingdom. He has extensive business experience in various business sectors, including financial services, manufacturing and real estate.

Tan Sri Quek is the Chairman of Hong Leong Bank Berhad ("HLB") and was appointed to the Board of Directors ("Board") of HLB on 3 January 1994. He is the Chairman of the Executive Share Option Scheme ("ESOS") Committee of HLB and a member of the Executive Committee, Board Credit Supervisory Committee ("BCSC"), Remuneration Committee and Nomination Committee of HLB.

He is the Chairman & Chief Executive Officer of Hong Leong Company (Malaysia) Berhad ("HLCM"), Executive Chairman of Hong Leong Industries Berhad ("HLI"), Hong Leong Credit Berhad ("HLC"), GuocoLand (Malaysia) Berhad (formerly known as Hong Leong Properties Berhad) ("GLM"), Hume Industries (Malaysia) Berhad ("HIMB"), Narra Industries Berhad, Camerlin Group Berhad ("CGB") and O.Y.L. Industries Bhd ("OYL") and Chairman of HLG Capital Berhad ("HLGC"), Hong Leong Islamic Bank Berhad ("HLIB") and Hong Leong Assurance Berhad ("HLA").

Tan Sri Quek attended all the ten Board Meetings of HLB held during the financial year ended 30 June 2005.

He has no conflict of interest with HLB and has no conviction for offences within the past ten years.

## **YVONNE CHIA**

Group Managing Director/Chief Executive/  
Non-Independent

Aged 52, Ms Yvonne Chia, a Malaysian, holds a Bachelor of Economics from the University of Malaya. An international banker, she started her career with Bank of America and held various positions in Hong Kong, Manila and Kuala Lumpur between 1976 to 1993; the last position being Vice-President and Country Head of Marketing. In March 1994, Ms Chia joined RHB Bank Berhad as General Manager and went on to become Chief Executive Officer/Managing Director of RHB Bank Berhad, a position she held until March 2002. She was made a Fellow of Institute of Bankers Malaysia in April 2002 and also a Certified Risk Professional (CRP) with BAI. In August 2005, Ms Chia was appointed to Wharton Fellows of the University of Pennsylvania.

Ms Chia was appointed an Executive Director of HLB on 17 March 2003 and had been re-designated as Group Managing Director/Chief Executive Officer of HLB on 10 November 2003. She is also a member of the Executive Committee, ESOS Committee, Share Transfer Committee and BCSC of HLB.

Ms Chia attended all the ten Board Meetings of HLB held during the financial year ended 30 June 2005.

Ms Chia is a Director of HLC, a public listed company. Ms Chia is also a Director of Malaysia External Trade Development Corporation (MATRADE), Cagamas Berhad and Hong Leong Islamic Bank Berhad, all public companies.

Ms Chia has no family relationship with other Directors or major shareholders of HLB, has no conflict of interest with HLB and no conviction for offences within the past ten years.

# Directors' Profile (continued)

## **ZULKIFLEE HASHIM**

Executive Director/Non-Independent

Aged 46, Encik Zulkiflee Hashim, a Malaysian, holds a Diploma in Credit Management. He started his career in the banking sector with Citibank NA and was its Vice President in 1990. From December 1991 to 1997, he was with Deutsche Bank Malaysia and was its Deputy Managing Director responsible for Corporate Banking, International Trade Finance, Operations and Transaction Banking Services Department. Encik Zulkiflee was appointed Executive Director of HLB on 30 July 1998 and is also a member of the Share Transfer Committee, Executive Committee and BCSC of HLB.

Encik Zulkiflee is a Director of WTB Corporation Berhad and HLF Credit (Perak) Berhad, both public companies.

Encik Zulkiflee attended all the ten Board Meetings of HLB held during the financial year ended 30 June 2005.

Encik Zulkiflee has no family relationship with other Directors or major shareholders of HLB, has no conflict of interest with HLB and has no conviction for offences within the past ten years.

## **CHEW PENG CHENG**

Non-Executive Director/Independent

Aged 64, Mr Chew Peng Cheng, a Malaysian, qualified as a Barrister-at-Law of the Inner Temple, London. He started his working career by joining the civil service and served in the Sarawak State Attorney-General's Chambers in Kuching as a Deputy Public Prosecutor from 1964 to 1965. Thereafter, he commenced private practice as an advocate in the chambers of Messrs Battenberg & Talma in Sibul from 1965 to 1974. In 1966, he joined Wah Tat Bank Berhad (now known as WTB Corporation Berhad) ("WTB") as a Director/Secretary and in 1975 was promoted to the helm as Managing Director/Chief Executive Director. Upon the completion of the merger between WTB and HLB, Mr Chew resigned from WTB and joined HLB as an Executive Director on 13 June 2001. On the completion of his employment contract with HLB, Mr Chew assumed the position of Non-Executive Director of HLB. Mr Chew currently holds directorship position in various other family-related private limited companies.

Mr Chew is also a member of the Remuneration Committee and Nomination Committee of HLB.

Mr Chew attended all the ten Board Meetings of HLB held during the financial year ended 30 June 2005.

Mr Chew has no family relationship with other Directors or major shareholders of HLB, has no conflict of interest with HLB and has no conviction for offences within the past ten years.

# Directors' Profile (continued)

## **KWEK LENG HAI**

Non-Executive Director/Non-independent

Aged 52, Mr Kwek Leng Hai, a Singaporean, is a qualified Chartered Accountant. He was the Managing Director of HLC from 1979 to 1982 and HLI from 1982 to 1985. In 1985, he was appointed as Chief Executive of Dao Heng Bank Limited, Hong Kong (now known as DBS Bank (HK) Limited), a position he held till June 2001. At the same time, Mr Kwek was the Chief Executive of Overseas Trust Bank Limited, Hong Kong between 1993 and 2001 and the Managing Director of Guoco Group Limited ("GGL"), Hong Kong from 1992 to 1996. Presently, he is the President and Chief Executive Officer of GGL.

Mr Kwek was appointed to the Board of HLB on 3 January 1994.

He attended all the ten Board Meetings of HLB held during the financial year ended 30 June 2005.

Mr Kwek is also a Director of CGB, a public listed company, and HLIB and HLCM, both public companies.

Mr Kwek has no conflict of interest with HLB and has no conviction for offences within the past ten years.

## **KWEK LENG SENG**

Non-Executive Director/Non-Independent

Aged 47, Mr Kwek Leng Seng, a Singaporean, holds an Honours Degree in Law from the University of Buckingham, London. He is currently the Group Managing Director of GLM, a position he held since end 1995. He joined Hong Leong Group Malaysia in 1987 as the Claims Manager and Director of HLA. Between 1990 to mid 1994, he assumed directorship and managerial positions in various subsidiaries of GLM. In mid 1994, he became the Managing Director of HLG Securities Sdn Bhd and held the position until October 1995.

Mr Kwek was appointed to the Board of HLB on 3 January 1994 and is a member of the Nomination Committee of HLB.

He attended all the ten Board Meetings of HLB held during the financial year ended 30 June 2005.

Tan Sri Quek Leng Chan, Mr Kwek Leng Hai, Mr Kwek Leng Seng and Mr Quek Leng Chye, a deemed major shareholder of HLB, are brothers. Mr Kwek has no conflict of interest with HLB and has no conviction for offences within the past ten years.

# Directors' Profile (continued)

## **YBHG DATUK DR HUSSEIN AWANG**

Non-Executive Director/Independent

Aged 65, Datuk Dr Hussein Awang, a Malaysian, obtained a Bachelor of Medicine and Bachelor of Surgery Degree from the University of Melbourne in 1964. He was made a Fellow of the Royal Australasian College of Surgeons in 1972. YBhg Datuk is presently the Consultant Urological Surgeon at Tawakal Specialist Centre, Kuala Lumpur, a position he had held since May 1984. He was the Senior Consultant Urological Surgeon and Head of Department of Urology, General Hospital, Kuala Lumpur from 1976 to May 1984. He was also Honorary Professor of Surgery (Urology), Department of Surgery, University Kebangsaan Malaysia, Kuala Lumpur from 1978 to May 1984. YBhg Datuk is a Foundation Fellow of the Academy of Science Malaysia.

YBhg Datuk was appointed as a Board and Board Audit & Risk Management Committee ("BARMC") member of HLB on 18 August 1994. He is also the Chairman of the Nomination Committee of HLB.

His directorships in other public companies include KPJ Healthcare Bhd, HLIB, HLA and Tasek Corporation Berhad.

YBhg Datuk attended nine out of the ten Board Meetings of HLB held during the financial year ended 30 June 2005.

YBhg Datuk has no family relationship with other Directors or major shareholders of HLB, has no conflict of interest with HLB and has no conviction for offences within the past ten years.

## **TAN KEOK YIN**

Non-Executive Director/Independent

Aged 61, Mr Tan Keok Yin, a Malaysian, graduated with a Bachelor of Arts (Honours) degree in Economics from the University of Malaya in 1966. He also completed an Executive Program in Management at the University of California, Berkeley and a Program in International Boards and Directors at the Swedish Academy of Directors, Stockholm. He started his career with Bank Negara Malaysia ("BNM") in 1966 and served in various capacities in the Economics and Investments Departments and the Penang Branch of BNM. In 1977, he joined the Federation of Malaysian Manufacturers ("FMM") as Deputy Director and was appointed Chief Executive Officer ("CEO") in 1981 till 1999. He served on various Government Boards and Committees and participated actively as speaker and panelist at the World Economic Forum, ASEAN Economic Cooperation meetings and other international business forums. He was also a Management Board member of the internationally recognised GS1 System (One Global System, formerly known as EAN International) located in Brussels, which presides over the global application of EAN - UCC bar codes and product numbering system in business and industries.

Mr Tan was appointed to the Board of HLB on 26 August 1994. He is the Chairman of the BARMC and Remuneration Committee of HLB and is a member of the Nomination Committee of HLB.

He is also a Director of Malaysian Pacific Industries Berhad, GLM and HLA.

Mr Tan attended all the ten Board Meetings of HLB held during the financial year ended 30 June 2005.

Mr Tan has no family relationship with other Directors or major shareholders of HLB, has no conflict of interest with HLB and has no conviction for any offences within the past ten years.

# Directors' Profile (continued)

## **YBHG DATUK MOHAMED NAZIM BIN ABDUL RAZAK**

Non-Executive Director/Independent

Aged 43, Datuk Mohamed Nazim Bin Abdul Razak, a Malaysian, an architect by profession, graduated from the Architectural Association, School of Architecture, London. He served with YRM Architecture in London, a multi-disciplinary building design consultancy and has more than 16 years experience in the architectural field, 13 of which were in Kuala Lumpur. Besides being the Managing Director of NR Associates Sdn Bhd, he is also the Chairman of Bandar Tasik Semenyih Sdn Bhd, a property developer in the Klang Valley.

Datuk Mohamed Nazim was appointed as Non-Executive Independent member to the Board and BARMC of HLB on 30 June 2003.

Datuk Mohamed Nazim attended nine out of the ten Board Meetings of HLB held during the financial year ended 30 June 2005.

Datuk Mohamed Nazim is also a director of OYL, a public listed company, and ING Insurance Berhad and HLIB, both public companies.

Datuk Mohamed Nazim has no family relationship with other Directors or major shareholders of HLB, has no conflict of interest with HLB and has no conviction for offences within the past ten years.

## **TSUI KING CHUNG, DAVID**

Non-Executive Director/Non-Independent

Aged 58, Mr Tsui King Chung, David, a British, graduated with Hong Kong University Matriculation "A" Level. He joined the banking industry since 1967 and was involved in the area of information services. Mr Tsui held various senior positions in Chase Manhattan Bank from July 1978 to August 1996. He is currently the President and Chief Executive Officer of HLC. Prior to joining HLC, Mr Tsui was the Group Chief Information Officer of Dao Heng Bank Group Limited from August 1996 to June 2001 and Chief Information Officer of Dao Heng Bank Limited (now known as DBS Bank (HK) Limited) from July 2001 to April 2004.

Mr Tsui was appointed to the Board of HLB on 20 July 2004 and is a member of the BCSC of HLB.

He is also a Director of HLC and HLGC, both public listed companies, and HLA, a public company.

Mr Tsui has no family relationship with other Directors or major shareholders of HLB, has no conflict of interest with HLB and has no conviction for offences within the past ten years.

# Board Audit & Risk Management Committee Report

## CONSTITUTION

The Board Audit Committee of Hong Leong Bank Berhad (“HLB” or “the Bank”) has been established since 18 August 1994 and was re-designated as the Board Audit & Risk Management Committee (“BARMC”) on 10 January 2002.

## COMPOSITION

Mr Tan Keok Yin  
(Chairman, Independent Non-Executive Director)

YBhg Datuk Dr Hussein Awang  
(Independent Non-Executive Director)

YBhg Datuk Mohamed Nazim Bin Abdul Razak  
(Independent Non-Executive Director)

## SECRETARY

The Secretary to the BARMC is Mr Nicholas Pak Mun Sek who is the Acting Chief Internal Auditor of HLB.

## TERMS OF REFERENCE (“TOR”)

- To nominate and recommend for the approval of the Board of Directors (“Board”), a person or persons as external auditor(s).
- To review the external audit fees.
- To review, with the external auditors, the audit plan.
- To review, with the external auditors, the audit report and audit findings and the management’s response thereto.
- To consider the provision of non-audit services by the external auditors.
- To review the assistance given by the officers of HLB and its subsidiaries (“Group”) to the external auditors.
- To review the quarterly reports and annual financial statements of the Bank and of the Group prior to the approval by the Board.
- To review the adequacy of the internal audit scope and plan, functions and resources of the internal audit department.
- To review the report and findings of the internal audit department including any findings of internal investigations and the management’s response thereto.

- To review and report to the Board measures taken to:-
  - (a) Identify and examine principal risks faced by the Bank.
  - (b) Implement appropriate systems and internal controls to manage these risks.
- To evaluate and recommend to the Board, risk management policies and strategies proposed by management.
- To oversee and monitor implementation of the Risk Management framework and activities adopted by the Bank.
- To review any related party transactions that may arise within the Bank or the Group.
- To decide on the appointment, remuneration, appraisal, transfer and dismissal of the Chief Internal Auditor (“CIA”) as per Bank Negara Malaysia GP10.
- Other functions as may be agreed to by the BARMC and the Board.

## AUTHORITY

The BARMC is authorised by the Board to review any activity of the Group within its TOR. It is authorised to seek any information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the BARMC.

The BARMC is authorised by the Board to obtain independent legal or other professional advice if it considers necessary.

## MEETINGS

The BARMC meets at least nine (9) times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such quarterly reports and annual financial statements being presented to the Board for approval.

The head of finance and internal audit divisions, the Chief Risk Officer and external auditors are invited to attend BARMC meetings. At least once a year, the BARMC will have a separate session with the external auditors without the presence of Executive Directors.

# Board Audit & Risk Management Committee Report (continued)

Two (2) members of the BARMC, who shall be independent and non-executive, shall constitute a quorum.

After each BARMC meeting, the BARMC shall report and update the Board on significant issues and concerns discussed during the BARMC meetings and where appropriate, make the necessary recommendations to the Board.

## ACTIVITIES

The BARMC carried out its duties in accordance with its TOR.

The BARMC met ten (10) times during the financial year ended 30 June 2005. Mr Tan Keok Yin and YBhg Datuk Dr Hussein Awang attended all the meetings held during the financial year while YBhg Datuk Mohamed Nazim Bin Abdul Razak attended six (6) meetings.

The BARMC reviewed the quarterly reports and annual financial statements of the Group. The BARMC met with the external auditors and discussed the nature and scope of the audit, considered significant changes in accounting and auditing issues, reviewed the management letter and management's response, examined pertinent issues which had significant impact on the results of the Group and discussed applicable accounting and auditing standards. The BARMC also reviewed the internal auditor's audit findings and recommendations as well as Bank Negara Malaysia's Examination Reports on the Bank Group.

In addition, the BARMC reviewed the adequacy and integrity of internal control systems, including risk management and relevant management information system. It also reviewed the processes put in place to identify, evaluate and manage the significant risks encountered by the Group.

In preparation for compliance with the Basel II accord, the BARMC reviewed with management and external consultants various reports and actions to be taken by the Bank.

The BARMC reviewed various related party transactions carried out by the Group.

The BARMC also reviewed and approved the remuneration of the CIA and staff of the Internal Audit Division of HLB during the period under review.

## INTERNAL AUDIT

During the financial year ended 30 June 2005, the internal audit department carried out its duties covering audit on operations, information technology system, credit, head office, branches, loan centre, business centre, mortgage sales centre, hire purchase centre, investigation and other assignments as directed. The department also worked closely with the Integrated Risk Management Unit to review, evaluate and improve the risk management framework and its effective deployment.

## RISK MANAGEMENT

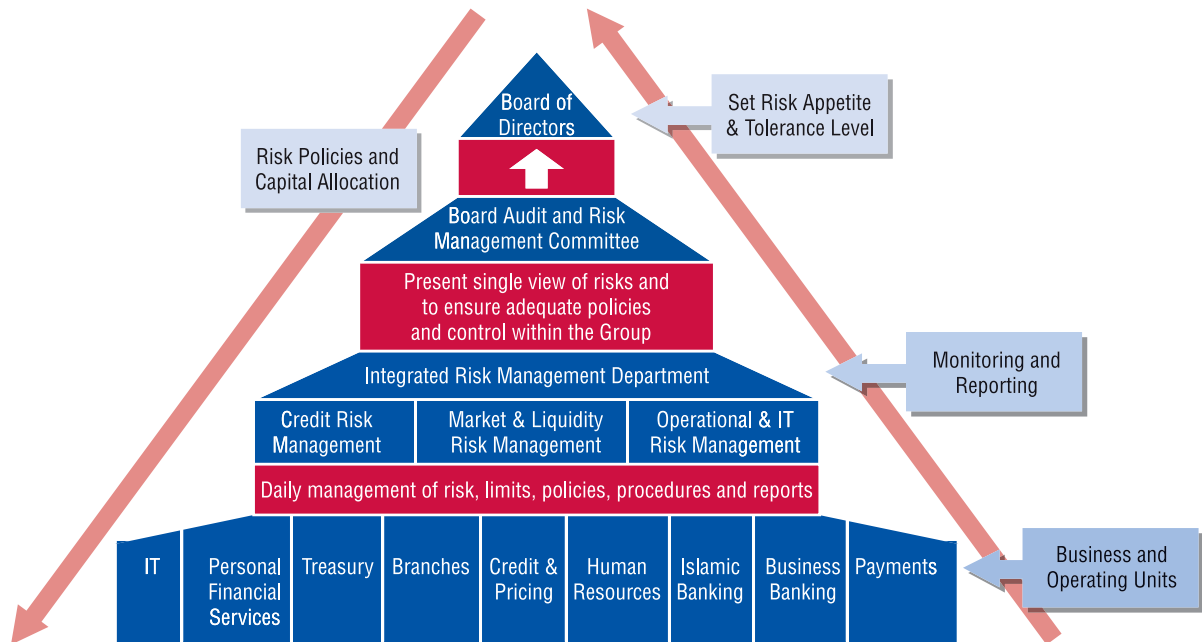
Managing risks is an integral part of the Group's overall business strategy, as risks, if left unchecked against a backdrop of rapidly changing financial landscape and increased uncertainty, can be detrimental to the Bank. Recognising the need to be proactive in the management of risks, the Bank has implemented an Integrated Risk Management ("IRM") framework where the Bank's risks are managed at various levels.

At the Business and Operating Units level, these units are the risk owners and accountable for the risks inherent in their business. They manage the day-to-day risks of their respective operations.

The IRM Department monitors and reports the Group's Credit, Market, Liquidity, Operational and IT Risks and presents these risks in a single, consolidated view to the BARMC regularly.

The BARMC deliberates and evaluates the reports prepared by IRM on the adequacy and effectiveness of the controls to mitigate the Group's risks and thereafter reports and provides updates to the Board of Directors, and where appropriate, makes the necessary recommendations to the Board.

# Board Audit & Risk Management Committee Report (continued)



**Integrated Risk Management Framework**

### Credit Risk

Credit Risk is risk of financial loss due to a borrower or counterparty being unable or unwilling to deliver on its payment obligations to the Bank, which leads to a loss of revenue and the principal sum.

### Operational Risk

Operational risk loss is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which also includes IT and legal risks.

### Market Risk

Market risk is the risk of financial loss arising from exposure to adverse changes in values of financial instruments caused by changes in market prices or rates, which include changes to interest rates.

### Liquidity Risk

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet obligations as they fall due.

## Hong Leong Bank Group's Key Risks



# Board Audit & Risk Management Committee Report (continued)

At the apex of the IRM framework, the Board of Directors has the overall responsibility to ensure there is proper oversight of the management of risks in the Group. The Board of Directors set the risk appetite and tolerance level and allocates the Group's capital that is consistent with the Group's overall business objectives and desired risk profile.

## **REVISED FRAMEWORK ON INTERNATIONAL CONVERGENCE OF CAPITAL MEASUREMENT AND CAPITAL STANDARDS ("BASEL II")**

Bank Negara Malaysia ("BNM") has set 2008 (Standardised Approach) or 2010 (Internal Ratings Based Approach) for banks in Malaysia to adopt the Basel II to calculate the minimum capital requirements for credit risk. The Bank is on track to meet the deadline set by the BNM. To this end, the Bank has conducted a Basel II and Best Practice Risk Management gap analysis, designing a Basel II blueprint and formulating the Bank's Basel II implementation roadmap.

Other activities relating to Basel II that the Bank has commenced is the setting up of an Operational Risk Management Committee which will be the ultimate body to manage and promote awareness of operational risks including IT and strategic risk in the Bank. The Bank has also issued an Operational Risk Management Awareness Handbook to every department and branch so as to increase and enhance the awareness of operational risks of every staff in the Bank. On the market risk front, the Bank has embarked on implementing a new Treasury System, which will enhance our Bank's market risk management capabilities and also meeting the Basel II requirements.

Though there is a regulatory compliance element to Basel II, our Bank believes that best practices of Basel II go beyond compliance i.e. Basel II should be implemented and driven from the strategic business perspective and not purely as a compliance exercise. One of the key challenges the Bank faces is to change the way the Bank operates e.g. adopting a more sophisticated use of statistical inferencing and automated consumer credit lending process. This further implies that the Bank needs to store sufficient data about the Bank's dealings with the customers. Using the data that is stored in the Bank's Enterprise Data Warehouse, the Bank is able to profile the customers that will facilitate effective marketing of the Bank's products to its customers.

Providing  
**SERVICE** Excellence



Transforming demands of the market

# Corporate Governance & Internal Control

“Corporate Governance is the process and structure used to direct and manage the business and affairs of the Company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking into account the interest of other stakeholders.”

~ Finance Committee on Corporate Governance

The Board of Directors (“Board”) has reviewed the manner in which the Malaysian Code on Corporate Governance (“the Code”) is applied in the Group as set out below. The Board is pleased to report compliance of the Group with the Best Practices set out in Part 2 of the Code except where otherwise stated.

## A. DIRECTORS

### I The Board

The Board assumes responsibility for effective stewardship and control of the Company and has established terms of reference to assist in the discharge of this responsibility.

### II Board Balance

The Board comprises ten (10) directors, eight (8) of whom are non-executive. Of the non-executive directors, four (4) are independent. The profiles of the members of the Board are provided in the Annual Report.

The Board is of the view that the current Board composition fairly reflects the investment of shareholders in the Bank.

The Board met ten (10) times during the financial year ended 30 June 2005.

The Board has identified Mr Tan Keok Yin, the Chairman of the Board Audit & Risk Management Committee (“BARMC”), as the Independent Non-Executive Director of the Board to whom concerns may be conveyed, who would bring the same to the attention of the Board.

### III Supply of Information

All Board members are supplied with information on a timely manner. Board reports are circulated prior to Board meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, performance of the Bank and of the Group and management proposals which require the approval of the Board.

All Directors have access to the advice and services of the Company Secretary as well as to independent professional advice, including the internal auditors.

### IV Appointments to the Board

The Nomination Committee was established on 17 June 2003 and the members are as follows:-

YBhg Datuk Dr Hussein Awang  
(Chairman, Independent Non-Executive Director)  
YBhg Tan Sri Quek Leng Chan  
(Non-Independent Non-Executive Director)  
Mr Chew Peng Cheng  
(Independent Non-Executive Director)  
Mr Tan Keok Yin  
(Independent Non-Executive Director)  
Mr Kwek Leng Seng  
(Non-Independent Non-Executive Director)

The Nomination Committee’s terms of reference are as follows:-

- Recommend to the Board the minimum requirements for appointments to the Board, Board committees and for the position of Chief Executive Officer.
- Review and recommend to the Board all Board appointments and re-appointments and removals including of the Chief Executive Officer.

# Corporate Governance & Internal Control (continued)

- Review annually the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and mix of skills and other core competencies required.
- Assess annually the effectiveness of the Board and key senior management officers as a whole and the contribution by each individual Director to the effectiveness of the Board and various Board Committees based on criteria approved by the Board.
- Oversee the appointment, management succession planning and performance evaluation of key senior management officers and recommend their removal if they are found ineffective, errant and negligent in discharging their responsibilities.
- Ensure that the Board receives an appropriate continuous training programme.

## V Re-election

All Directors are required to submit themselves for re-election every three (3) years.

## B. DIRECTORS' REMUNERATION

The Remuneration Committee was established on 17 June 2003 and the members are as follows:-

Mr Tan Keok Yin  
(Chairman, Independent Non-Executive Director)  
YBhg Tan Sri Quek Leng Chan  
(Non-Independent Non-Executive Director)  
Mr Chew Peng Cheng  
(Independent Non-Executive Director)

The Remuneration Committee's terms of reference are as follows:

- Recommend to the Board the framework governing the remuneration of the :
  - Δ Directors;
  - Δ Chief Executive Officer; and
  - Δ Key senior management officers.

- Review and recommend to the Board the specific remuneration packages of executive directors and the Chief Executive Officer.
- Review the remuneration package of key senior management officers.

## I Level and Make-up of Remuneration

The Group's remuneration scheme for Executive Directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmark to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual plan and budget.

For Non-Executive Directors, the level of remuneration reflects the level of responsibilities undertaken by them.

## II Procedure

The remuneration packages of all executives of the Group including Executive Directors are laid out in the Group's Human Resources Manual, which is reviewed from time to time to align with market/industry practices.

The fees of Directors, including Non-Executive Directors, are recommended and endorsed by the Board for approval by the shareholders of the Bank at its Annual General Meeting.

## III Disclosure

The aggregate remuneration of Directors for the financial year ended 30 June 2005 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive			
Directors	100,000	2,231,710	2,331,710
Non-Executive			
Directors	486,233	112,500	598,733

# Corporate Governance & Internal Control (continued)

The number of Directors whose remuneration fall into the following bands is as follows:

Range of Remuneration (RM)	Executive	Non-Executive
50,000 and below	-	-
50,001 - 100,000	-	6
100,001 - 150,000	-	2
150,001 - 650,000	-	-
650,001 - 700,000	1	-
700,001 - 1,650,000	-	-
1,650,001 - 1,700,000	1	-

## C. SHAREHOLDERS

### I Dialogue between Companies and Investors

The Board acknowledges the importance of regular communication with shareholders and investors via the annual reports, circulars to shareholders and quarterly financial reports and the various announcements made during the year, through which shareholders and investors can have an overview of the Group's performance and operation.

### II Annual General Meeting ("AGM")

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions.

## D. ACCOUNTABILITY AND AUDIT

The Board Audit Committee was established on 18 August 1994 and re-designated to BARMC on 10 January 2002. The financial reporting and internal control system of the Group is overseen by the BARMC, which comprises all Non-Executive Directors. The primary responsibilities of the BARMC are set out in the BARMC Report.

The BARMC met ten (10) times during the financial year ended 30 June 2005. Details of attendance of the committee members are set out in the BARMC Report appearing on pages 13 to 16 of the Annual Report.

The BARMC is supported by the Internal Audit Department whose principal responsibility is to conduct periodic audits on the internal control matters to ensure compliance with systems and/or standard operating procedures of the Group. Investigation will be made at the request of the BARMC and senior management on specific areas of concern when necessary. Significant breaches and deficiencies identified are discussed at the BARMC meetings where appropriate actions will be taken.

### I Financial Reporting

The Board is responsible for ensuring the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the BARMC, which assesses the financial statements with the assistance of the external auditors.

### II Internal Control

The Board has overall responsibility for maintaining a system of internal controls which covers financial and operational controls and risk management. This system provides reasonable but not absolute assurance against material misstatements, losses and fraud.

Following the re-designation of the BARMC mentioned above, the BARMC is also entrusted with the responsibility of identifying and communicating to the Board critical risks the Group faces, changes to the Group's risk profile and management's action plans to manage the risks.

# Corporate Governance & Internal Control (continued)

## III Relationship with Auditors

The appointment of external auditors is recommended by the BARMC, which determines the remuneration of the external auditors. The external auditors meet with the BARMC to:

- present the scope of the audit before the commencement of audit; and
- review the results of the audit as well as the management letter after the conclusion of the audit.

## E. STATEMENT ON INTERNAL CONTROL

The Board, recognising its responsibilities in promoting good corporate governance and ensuring sound internal controls and risk management practices, has set up the BARMC on 10 January 2002. The Board has also put in place an integrated Risk Management Framework to assist it in:

- identifying the significant risks faced by the Bank Group in the business environment as well as evaluating the impact of such risks;
- developing and approving the necessary controls and measures to manage these risks; and
- monitoring the adequacy and effectiveness of such controls and measures.

The BARMC, assisted by the Internal Audit Division, oversees and reports to the Board on the proper functioning of the Integrated Risk Management Framework, as part of its responsibilities of monitoring compliance with the business objectives, policies, reporting standards and control procedures of the Group.

The controls instituted by the Group's operating units and built into the risk management framework are not intended to eliminate all risks of failure to achieve business objectives but are designed to ensure all relevant and significant risks have been identified and managed as part of the management and decision-making process throughout the Group. As with all such frameworks, controls, by their nature, can only provide reasonable, but not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

The risk management framework is embedded in the management and decision-making process through the following structures:

- Key strategies to achieve the Bank Group's business plans and budget as approved by the Board, are tracked and reviewed by the operating divisions/departments to monitor achievement of these business plans and budgets.
- The various divisional and departmental heads of the Bank Group operate their respective units within the policies, functional, financial and operating reporting standards and control procedures developed by the Group. Such reporting standards and control procedures are supplemented on an ongoing basis by operating procedures, policies and action plans developed by the operating units to manage and monitor risks impacting the Bank Group and to suit the regulatory and business environment in which they operate.
- Where feasible and necessary, relevant group resources are focused to manage common risks on an integrated and Group-wide basis, using common tools, procedures and control systems as appropriate.

The Chief Risk Officer ("CRO") of the Group is the custodian of the Integrated Risk Management Framework and is responsible to :

- evaluate all identified risks for their continuing relevance in the business environment and inclusion in the Risk Management Framework;
- oversee and monitor the implementation of appropriate systems and risk management controls to manage these risks;
- assess the adequacy of action plans and control systems developed to manage these risks;
- monitor the performance of management in executing the action plans and operating the control systems; and
- regularly report to the BARMC and the Board on the state of internal controls and the efficacy of management of risks throughout the Group.

# Corporate Governance & Internal Control (continued)

In discharging the above responsibilities, the CRO is guided by but not limited to the questions raised in the Appendix to the Statement of Internal Control - Guidance for Directors of Public Listed Companies and he reports regularly to the BARMC and the Board on risk matters. The Board receives regular reports on significant risk areas e.g. market risks, credit risks and operational risks.

As a licensed banking and finance institution, the business of the Group entails management of risks common to all financial intermediaries. The more significant risks are set out below:

- Credit risk - Exposure to a loss arising from the failure of a customer or a counterparty to honour debts or settlement of a security on purchase or on maturity.
- Interest rate risk - Exposure to loss arising from an unfavorable movement in interest rates, resulting in mismatch between income and expense between assets and liabilities.
- Market risk - Exposure to cash or opportunity loss from an unfavorable movement in equity prices and foreign exchange rates.
- Liquidity risk - Possibility of an inability to meet cash obligations at acceptable rates.
- Operational risk - Exposure to loss resulting from failure of operational procedures and/or control systems.
- Product Risk - Possibility of products incurring financial or opportunity loss attributed to poor reception by customers, mispricing, poor product features and/or timing of entrant of the products.

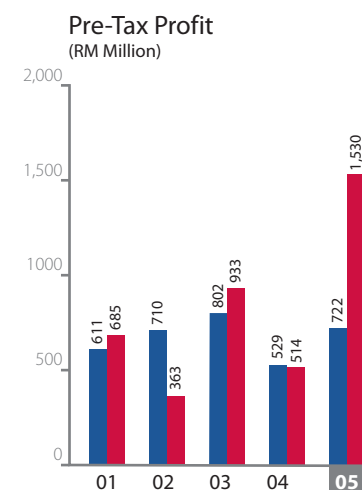
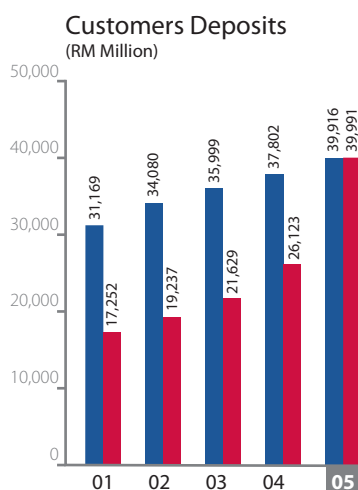
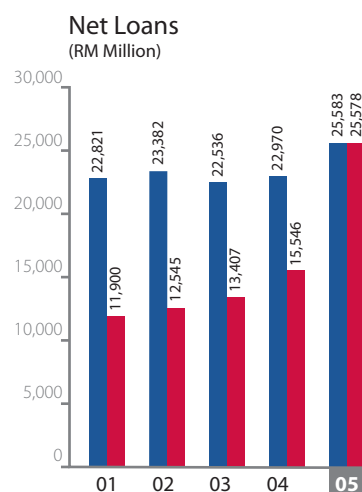
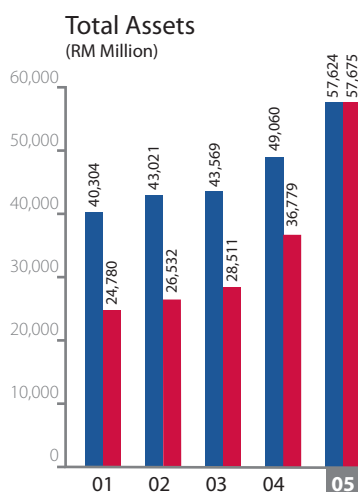
## **F. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING**

The Listing Requirements of the Bursa Malaysia Securities Berhad require the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Bank as at the end of financial year and of the results and cash flow of the Group and of the Bank for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group and of the Bank for the financial year ended 30 June 2005, the Group has used the appropriate accounting policies and applied them consistently. The Directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

# Financial Highlights

	June 01 RM Million	June 02 RM Million	June 03 RM Million	June 04 RM Million	June 05 RM Million
<b>TOTAL ASSETS</b>					
HLB Group	40,304	43,021	43,569	49,060	57,624
Bank	24,780	26,532	28,511	36,779	57,675
<b>NET LOANS</b>					
HLB Group	22,821	23,382	22,536	22,970	25,583
Bank	11,900	12,545	13,407	15,546	25,578
<b>CUSTOMERS DEPOSITS</b>					
HLB Group	31,169	34,080	35,999	37,802	39,916
Bank	17,252	19,237	21,629	26,123	39,991
<b>PRE-TAX PROFIT</b>					
HLB Group	611	710	802	529	722
Bank	685	363	933	514	1,530



■ HLB Group  
■ Bank



People Make the

# ***DIFFERENCE***



Transforming our workforce to give value to customers and shareholders

# Chairman's Statement

On behalf of the Board of Directors, I have pleasure in presenting the Annual Report and Financial Statements of the Hong Leong Bank ("Bank") and the Group for the year ended 30 June 2005.



## PERFORMANCE ON SHAREHOLDER VALUE CREATION

Throughout the financial year ended 30 June 2005, the Group continued to execute its transformation strategies and successfully delivered on intrinsic value creation for our shareholders on many fronts. We are happy to report that the transformation programme has yielded early results. We will continue to pursue the transformation agenda with an unrelenting focus.

Overall, the Group posted a net profit before tax of RM722 million, an increase of 37% from the preceding financial year. The bottom line was spurred by higher contributions from non-interest income and lower loan loss provisions. Earnings per share hence grew to 33.2 sen from 24.5 sen.

The Group posted a healthy growth in total assets, with an increase of RM8.6 billion or 17%, mainly from the loan books as well as treasury assets. Gross loans, advances and financing grew by 10.3% while net growth, including write-offs came in at 8.0%. The Islamic portfolio rose from 9.1% to 13.0% of the loan books.

Although loan growth was robust at 10.3% gross, the Group's net interest income remained flat. Asset yields were weaker, resulting from an industry-wide margin compression that put pressure on profitability. Interest rate expense however decreased to 2.6% from 2.8% a year ago, reflecting the ongoing management of our cost of funds initiatives. The financial year saw the growth in loans outstripping that of deposits, a reversal of a four-year trend.

In mitigating the decline in net interest margin, the Group's non-interest income grew strongly at 48% to RM340 million. The non-interest income ratio strengthened to 23.2% from 16.5% a year ago, reflecting the strong growth from various areas in treasury, wealth management as well as trade finance and corporate finance fees.

The cost-income ratio inched upwards to 39.3%. The strong cost discipline in the Group was balanced against investments for long-term growth as the increment in operating expenses resulted from our expansion into Hong Kong as well as infrastructure and channel expansion programmes. The Group further increased marketing spending to grow its customer franchise and brand equity. Costs were nonetheless controlled effectively, and profit before tax grew to 1.3 times of overhead expenses from 1.1 times a year ago.

Our portfolio rebalancing strategy saw our mortgage book growing by 22.5% to now become the growth engine of choice in our consumer financing business. The credit cards business grew by 17.1% and our exposure in the hire-purchase portfolio had further stabilised to hold at 21% share of our financing book.

Lending to the business segment remained relatively flat in line with the industry, but the Group continued to gain momentum in penetrating the priority sectors of manufacturing, general commerce and business services.

The Group also successfully captured the organic growth potential of the Islamic banking industry as the gross financing portfolio of our Islamic banking franchise grew by 55%.

Our overseas franchise also grew commendably. The Singapore and Hong Kong branches contributed 4.3% to the pre-tax bottom line, certainly an encouraging sign for the Group to selectively continue seeking value through franchises abroad.

These growth rates were achieved on the back of a loan to deposit ratio of 67.3% compared to 65.7% last year. A bank-wide growth of 5.6% in deposits from customers reinforced the Group's strong customer franchise and entrenchment in the community that it serves. The Group's deposit profile demonstrated a high concentration of fixed deposits at 72.3%, significantly higher than that of industry.

# Chairman's Statement (continued)

Award recognition at the Sales & Service Convention 2004.



Lion dance during the re-opening of Hong Leong Bank's KL main branch in February 2005

Asset quality also remained strong, with the Group's gross non-performing loans (NPL) ratio based on a 3-month NPL classification decreasing to 7.5% from 11.2% a year ago. The Group's portfolio rebalancing strategy for its financing book showcased a proactive portfolio risk and capital management strategy where the Group is not hesitant to forego short-term gains for long-term earnings that are achieved on the back of stronger asset quality. It is noteworthy to report the reduction in the net NPL ratio for the hire-purchase portfolio from 3.0% to 1.4% this financial year. The asset quality of other portfolios was in line with expected targets, and the overall net NPL ratio was reduced to 4.5% from 5.4% a year ago.

The Group remained highly capitalised, with its core capital and risk-weighted capital ratios at 15.9% and 17.4% respectively as of 30th June 2005. To enhance returns to shareholders, the Group kicked off a programme to buy back up to 10% of its issued share capital in November 2004. Through June 2005, the Group had already purchased 51.5 million shares, representing 3.26% of the issued and paid-up capital, and they are held as Treasury shares.

As part of the Group's capital management exercises, we issued an inaugural offering of US\$200 million Subordinated Bonds, due August 2015, callable in August 2010 with a coupon of 5.25% and a re-offer price of 99.848%. In conjunction with the issue, Hong Leong Bank's long term rating was rated Baa1, BBB+, and BBB+ by Moody's, Fitch, and Standard & Poor's respectively. Following a roadshow in Singapore, Hong Kong and London, the offering attracted strong demand from investors in Asia and Europe, resulting in the deal being 2.5 times oversubscribed.

True to the spirit of our vision where people make the difference in realising our goals, we are happy to report that over the year, the Group implemented various competency-based projects and initiatives within the lines of business and support functions. Noteworthy was the launch of the Young Bankers Programme, an accelerated 4-year programme to develop graduates into becoming branch managers. We further embarked on developing an integrated Human Resource Management System in the closing quarters of the year to enable a more effective and efficient management of our human capital.

## BUSINESS & OPERATIONAL REVIEW - THE TRANSFORMATION STORY SO FAR

### Personal Financial Services

The Personal Financial Services (PFS) Division forms the core business of the Group by contributing 62% of the Group's profit before tax. For the year under review, the PFS engine of growth painted a picture of positive and confident performances by all business units. The growth rates for traditional products stood at 23%, 1% and 17% for the mortgage, hire purchase and credit card portfolios respectively, while assets under management (AuM) grew by 41%.

The financial year under review also saw the Group's market share growth in mortgages outpacing that of industry by two times, allowing the Group to move its market share ranking by a couple of notches. We held our credit cards market share ranking steady, and the growth rate for the cards business was in line with that of industry. Notwithstanding the Group's portfolio rebalancing strategy in repositioning the Group's hire purchase exposures, the Group was successful in defending its market share ranking in the segment.

Overall, these positive top-line indicators signalled the Group's strong capacity to both aggressively compete in as well as defend its chosen market arenas. These indicators both reflected an increased competence for maximising the Group's earning potential as well as a sustained impetus and incentive for optimising the risk-reward profile of its portfolio.

To deliver on these results, the PFS Division executed several key transformation initiatives effectively. To further strengthen the Group's distribution franchise, a National Sales business unit under the PFS Division was established with a clear mission of developing an entrepreneurial sales culture in the Group's consumer sales branches.

# Chairman's Statement (continued)



Representatives of Hong Leong Bank and unit trust management companies at the signing of distribution agreement ceremony in November 2004

Over the year, 11 new branches and 1 Bureau de Change were opened to further embed the Group's distribution footprint within the community. The Group's Channel Transformation programme saw 6 branches being reconfigured with longer sales area and more self-service terminals. Another 12 were paired for complementary sales effectiveness and service efficiency. The Priority Banking Centre at the Kuala Lumpur Main Branch also underwent a transformational reconfiguration. 214 Self-Service Terminals (SST) were added, and 10 off-site ATMs were installed, underscoring a commitment to reduce the cost in serving the Group's valued customers. Early results showed a transformational improvement in the Group's SST transaction migration ratio as an absolute hike of almost 12% was achieved. To reduce channel conflict, all sales staff were streamlined into a Personal Financial Consultant (PFC) operating structure. Sales productivity metrics for PFC's improved in tandem by 32% over the year.

The PFS Division also had a busy product development calendar for the year under review. Key product initiatives included the Touch & Go Zing Master and Visa credit cards, 3-year fixed rate housing loans, range accrual notes, Dual Currency Deposits, the re-launching of Foreign Currency Accounts and deposits, third-party unit trust distribution and 8-month fixed deposits. These products were tightly aligned to not just market-driven business opportunities but also the key strategic priorities of the Group. Over the year, the Group further fortified its capacity to generate, integrate and leverage customer knowledge and relationships through its Goldmine campaign, and introduced pre-approved mortgage loans and credit cards as well as top-up loans, and financial planning packages to existing customers.

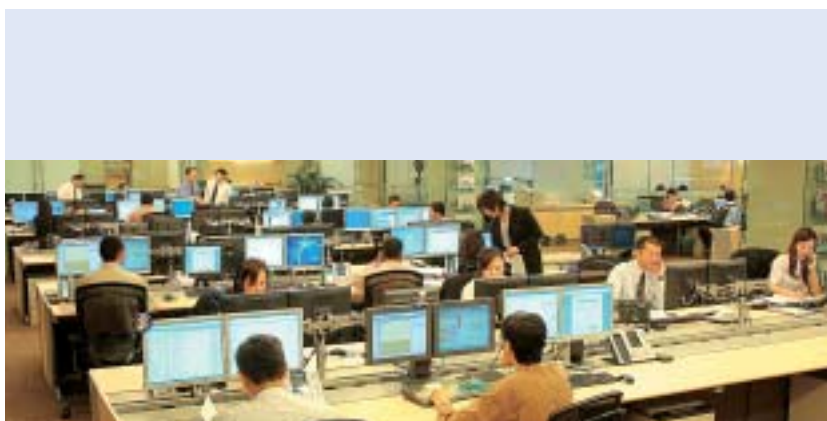
Traditional products continued to power the earnings base for the Group with strong, sustained earnings momentum in all key products. Sales were up across the board, with sales from mortgages rising by 9%, hire purchase by 95%, cards by 8%, unit trust by 104% and bancassurance by 37%. The Group outpaced the industry growth rate in the extension of financing to both the residential as well as non-residential property sectors. Sales momentum indicators remained strong.

The Wealth Management business unit continued to grow strongly as a new business proposition to boost PFS' fee income sources. The Unit Trust Nominee system was implemented and the Institutional Unit Trust Agents (IUTA) status achieved, enabling the launch of the third party funds. The Group further embarked on the Registered Financial Planners certification programme with a view of creating a pool of professional financial planners for our customers. The distinction of being the first local bank to distribute corporate bonds, range accrual notes and forex yield enhancement products underscored the Group's commitment to lead offerings in the marketplace. Business insurance initiatives were also introduced as part of a customer-focused strategy to raise the competence level of staff in building relationships and executing needs-based product fit for customers.

The transformation of PFS to become a full financial services provider to its growing base of affluent customer segment continued to be corroborated by the positioning of Hong Leong Bank as an integrated platform for the cross-selling of offerings from our affiliated companies, i.e. Hong Leong Assurance, HLG Unit Trust and HLG Securities. As a success measure, commission income from the cross-selling of bancassurance and investment products from the affiliates already accounted for close to a third of the fee-based income stream in the closing quarters of the year under review. The framework for greater collaboration between the business units in the Hong Leong Financial Services Group had been laid down, as evidenced by the Investment Banking Seminars held by the Group.

# Chairman's Statement (continued)

■ The CGC Top SMI Supporter Award 2004 trophy awarded to Hong Leong Bank



■ HL Markets' Dealing Room

## Business Banking

The Business Banking Division reported a turnaround for the year under review and with a profit before tax of RM150 million, returned to the black from last year's loss position that arose out of lumpy specific provisions made for a few large legacy restructured and rescheduled non-performing loans. Loans growth remained relatively flat in line with the industry, and the Business Banking portfolio constituted approximately a quarter of the Group's total lending portfolio. Over the year, margin compression moved down to the Small and Medium Enterprises (SMEs) and mid-market segments, and Business Banking responded with a 16.3% year-on-year growth in non-interest income. Trade finance fee income remained robust, and with the Group's growth rate in trade financing significantly outpacing that of industry, the Group made significant gains in market share.

Portfolio was balanced, and robustly distributed with emphasis on key priority sectors such as manufacturing, general commerce and business services. Despite intensified competition for the top-tier mid-market clientele, the Group defended its market share ranking for the year under the review. The mid market segment formed the core of Business Banking's clientele, accounting for almost half of its loan portfolio.

Financing exposure to SMEs continued to come in strongly to account for the next bulk bracket of financing. With SMEs as a bedrock in the Group, the Bank was presented with the CGC Top SMI Supporter Award 2004 by Credit Guarantee Corporation (CGC). Hong Leong Bank was one of four local commercial banks acknowledged for their significant contribution towards the financing of SMEs and their overall participation in CGC's guarantee schemes annually. The award would certainly spur the Bank to bring more value added financial services to its customers and the SME community and to help them face the extremely challenging and competitive business environment both locally and globally.

Over the year, Business Banking continued its stride towards realising its vision of becoming a disciplined commercial lender to provide a robust risk-adjusted return on capital and leverage for the Group's structured finance and fee income business lines. The transformation and remodelling of Business Banking architecture therefore continued. Structural changes that were effected resulted in an improved focus through a geographical and span of control re-alignment, as well as the establishment of an early care set-up to enhance asset quality. Process changes led to the adoption of a portfolio management approach for different client segments, and business performance re-engineering of credit and relationship management processes were carried out to optimise account management and reduce cost-to-serve. Credit skill sets were continuously upgraded and greater levels of a disciplined credit culture were entrenched.

## HL Markets

Shortly after the end of the financial year ended 30 June 2005, "HL Markets" was officially launched and this re-branding exercise for the Regional Treasury Division marked the culmination of its transformational year. In line with the spirit of the re-branding exercise, the reporting and review in this Report would hereinafter make reference to the Division's new brand name.

HL Markets had a good year, and posted a 131% rise in profit before tax to RM127 million. This was in tandem with the strategic thrust for HL Markets to become a significant profit contributor to the Group. Fee income was given a momentous boost as it secured more than 100% increase to RM78 million.

Notable achievements of the year from HL Markets included a placing in the Top 5 Principal Dealer ranking in terms of volume, maiden IRS and Range Accrual Swap deals with the Employee Provident Fund (EPF), the launch of capital protected, yield-enhancing investment products to Wealth Management customers, a relaunch of the Foreign Currency Accounts, the renewal of the MGS Primary Dealership and the second largest outstanding domestic RM repo placement. HL Markets increased trading activities and interactions with the Central Bank and it remained a regular KLIBOR, IRS and CCS contributor.

# Chairman's Statement (continued)



A Regional Treasury platform for HL Markets was further established to capture synergies in revenue growth from all Treasury centres in the Group, spanning Kuala Lumpur, Singapore and Hong Kong, as well as to facilitate the efficient deployment of resources and enable regional co-operation to enhance business capabilities.

All Treasury centres also embarked on infrastructure upgrades. To secure growth options in the future, the Group invested in the MUREX Treasury System as well as an infrastructure transformation exercise for the Treasury dealing room in Kuala Lumpur.

## **Hong Leong Islamic Bank Berhad**

During the financial year under review, the Group accomplished another critical milestone in its Islamic banking franchise when it was granted an Islamic banking licence. Hong Leong Islamic Bank Berhad (HLIB), a wholly-owned subsidiary of the Bank was incorporated, pursuant to Section 3(4) of the Islamic Banking Act, 1983, to undertake Islamic banking business. A Vesting Order had also been obtained from the High Court of Malaya for the transfer and vesting of the Islamic banking business of the Bank to HLIB. Shortly after the end of the financial year ended 30 June 2005, the Bank conducted its Islamic banking business through HLIB effective 1 July 2005.

The Islamic banking franchise grew strongly to register a profit before tax of RM112 million (before shared services cost), representing a rise of 26.4%. Total assets had grown by 52.8% to RM5.8 billion, mainly supported by the strong 57.1% growth in the loans, advances and financing portfolio.

Financing growth stood at 54.6%, fuelled by HP-i and business financing-i which recorded a rise of 78.3% and 47.8% respectively. A review of the financing portfolio mix revealed that financing patterns were dominated by retail financing, particularly property financing (16.0%) and financing to purchase transport vehicles (63.3%).

Most of the funding for the Islamic financing came from the Al-Mudharabah general investment deposits. The closing figure of RM4.89 billion was supported mainly by the favourable investment deposits activities. As a consequence, the loan to deposit ratio stood at 71.2% at the end of the financial year under review.

Asset quality showed substantial improvement for the year under review as gross NPF ratio was down to 2.3% from 5.0% in the preceding year, and net NPF ratio decreased from 2.9% to 1.6%. The Group's Islamic banking franchise remained well capitalised with core capital and risk-weighted capital ratios coming in at 11.7% and 13.3%.

## **Overseas Franchise**

Our Singapore Branch, HL Bank Singapore turned in a good performance with a profit before tax of RM36 million, representing a growth of 24% over the preceding year. Growth was spurred by increase in placement fees and higher forex profit. Non-interest income rose by 37.3%, holding the non-interest income ratio steady at almost 50%. Gross loans grew 5.7%. The balance sheet showed a 17.6% rise in total assets while deposits grew by 17.0%.

The Hong Kong Branch posted a marginal loss of RM4.6 million on the back of a strategic priority of putting in place a sound operational architecture during the start-up phase. The growth of net interest income to RM8.5 million exceeded expectations while the efforts of building the balance sheet to RM471 million, representing a 214% increase during the start-up phase, were noteworthy.

## **ASSET QUALITY**

Over the year, the Group continued to stay vigilant, adhering to prudent policies on loan evaluation and lending. The results were borne out in an NPL ratio that ranked low among its peers in the industry. The Group's gross NPL ratio based on a 3-month NPL classification, decreased to 7.5% from 11.2% a year ago while the net NPL ratio similarly trended down from 5.4% to 4.5% for the year under review. These were achieved through a combination of impaired loans write-off, upgrading of restructured NPLs, and better loan recoveries.

In tandem with Bank Negara Malaysia's stipulation on NPLs of more than 7 years, an additional Specific Provision of RM29.8 million was made. With coverage ratios adequately held at levels above the industry average, loan loss provisions decreased from RM367.4 million a year ago to RM166.1 million for this financial year.

# Chairman's Statement (continued)



Enthusiastic participants of the Hong Leong Foundation Charity Run 2005



A patriotic gesture by Hong Leong Bank as it gave away Jalur Gemilang flags to its customers and the public in conjunction with Merdeka Day

## RISK MANAGEMENT AND BASEL II

Under the ambitious and independent oversight of the Integrated Risk Management set-up, all principal risk concerns continued to be managed effectively. As of 30 June 2005, key credit, market and operational risk exposures and indicators remained at acceptable, healthy levels. Essential risk management mechanisms for most critical areas were in place and enhanced, including those for managing credit risks, market risks, operational risks such as fraud, IT security, and business continuity plans for mission-critical systems.

The Group continued to implement its internal roadmap towards Basel II compliance and was on track with the Basel II framework and implementation deadline set by Bank Negara Malaysia. The Group views Basel II challenges as a catalyst to improve risk management and operational practices within the lines of business, quite apart from regulatory compliance. Over the financial year under review, several noteworthy initiatives were rolled out including the inception of the Operational Risk Council in January 2005. Under the leadership of the Council, bank-wide operational risk loss incidences were managed robustly. A Business Lines Operational Risk Assessment Methodology was rolled out and geared to afford substantial coverage of Basel II's 4 causes of operational risk and 7 loss event types. The momentum continued with a bank-wide exercise to create and institutionalise operational risk awareness.

The Group manages its market risk proactively and employs Value-at-Risk to quantify the risk. The management of the Group's market risk and asset liability management is delegated to the Asset Liability Management Committee which meets on a monthly basis. Currently the Group is upgrading the Treasury system infrastructure that will enhance the management of market risk further besides allowing the Group to capitalise on more Treasury business opportunities. The Group also enhanced its credit risk management by providing regular portfolio analysis and dashboards on key credit risk management practices to the lines of business. The Group's new electronic credit origination system that is currently being implemented is another critical project that will further augment the management of the Bank's credit risk, especially for our PFS portfolio.

## FULFILLING OUR RESPONSIBILITIES TO THE COMMUNITY

Fulfilling our responsibilities as a good corporate citizen to the community that we serve continued to be an integral feature of the Hong Leong Group's culture. During the financial year, the Group actively participated in various social and community service work. These were carried out at both the corporate and individual levels, as well as through Hong Leong Foundation.

The Hong Leong Foundation Charity Run held for the sixth time received overwhelming response from the public. Some 105,000 people registered for this worthy cause held at 23 run locations nationwide, with a sum of RM1 million pledged to 47 charities throughout the country. The Group also expressed its gratitude to the nation by giving away Jalur Gemilang to its customers and the public across the country, in conjunction with our 47th Merdeka Day celebrations. The Group also continued its practice of supporting educational causes by awarding educational awards.

## TRANSFORMATION STEWARDSHIP AND LEADERSHIP GOING FORWARD...

What distinguishes superior performance among financial institutions in the market today is the quality and execution of reforms that they put in place. We have a sound and storied history in serving our constituencies. Hence, our experiences persuade us that the following expectations should guide the multiyear transformation agenda of the Group and Bank going forward. The aim is simple - to deliver value, and we have a strong tradition of leadership for doing that.

### ...for our Customers & Community

Just like the past and present, we will continue to put our customers and community first.

The Group will continue to push ahead with an aggressive integrated channel and e-banking strategy. The move will see more branches being opened, SSTs added, call centre enhanced, and internet banking as well as mobile banking improved.

# Chairman's Statement (continued)



A series of Investment Banking Seminars were held to enlighten the bank's customers on its investment products and services

Service culture will be reinforced with a continuity of our "I CARE" ("Creating a Rewarding Experience" for customers) programmes that produce a differentiating service culture. A bank-wide Service and Quality Index (SQI) has been established to track the service performance of key processes at the frontline and backroom support units. We will continue to track the SQI very closely, and under the leadership of the Quality Council in the Group, processes will be re-engineered and the Group's overall sales and service value chain stepped up to satisfy customer expectations.

### ...and for our Employees

The dynamic environment offers the Group an opportunity to provide exciting careers for our employees. The transformation agenda means an ability to provide our outstanding people the best opportunity to realise their potential.

To invest in our 5000-strong human capital, we will continue to develop in our employees the standard of competencies that is required to manage the business in a competitive environment. We are investing in an integrated human resource management system, and we expect to see early results in the new financial year.

Efficiency levels will be improved through IT enhancements and process improvements. Re-organisation of the operating structure for efficient operations can be expected. The Human Resources unit has been tasked with a vigorous review of our talent recruitment, retention, training, rewards and performance management practices. The aim is for the Group to be the unmistakable employer of choice.

### ...and for our Industry

As the country's financial services sector liberalises, the Group will continue to contribute to the realisation of the Financial Sector Master Plan and structural strengthening of the industry. The Group's vision of deeply entrenching itself in the community has been cascaded into a series of measured steps that seeks to position the Group's core businesses dominantly in the market place.

The Group continues to take corporate governance very seriously and the practices within the Group reflect that. The stability of the financial services system remains paramount, and the Group's strategies on capital and risk-adjusted performance management as reflected in our robust capital adequacy ratios demonstrate the highest commitment towards capital protection and development. The Group is also on track towards achieving Basel II compliance.

A busy product calendar is in store for the Group to deliver quality and competitive products and services, benchmarked against the best in the world. The Group's transformed business model, with HLIB and regional platforms in HL Markets and HL Private Bank spanning Kuala Lumpur, Singapore and Hong Kong, will be able to offer customers a suite of financial solutions, from traditional products such as mortgages, credit cards and hire purchase, to investment banking products in the areas of treasury, wealth management, corporate advisory and debt capital markets. The Bank is also in the driver seat to further enhance the integrated sales platform of the Hong Leong Financial Services Group consisting of the Bank, Hong Leong Assurance, HLG Unit Trust and HLG Securities. This is complemented by the Group's capacity to bundle third-party products to meet the financial needs of our customers.

Our branding transformation, which is underway has been geared to give rise to opportunities to deliver on our Hong Leong Bank's brand promise. We will continue to always act with integrity, continuously build customer's trust in the Group and consistently deliver the highest levels of service. We will further fulfil our social and community service responsibilities by building on our community programmes.





# Chairman's Statement (continued)



## ...and for our Shareholders

The Group is well positioned and equipped to meet the challenges ahead. As our track record would suggest, we will continue to balance the trade-offs in short-term profits with the long-term success of the franchise. As bankers, we are in the business of taking risks, and as such we will continue to vigorously align our risk management with our business plan and strategies. The sophistication of measuring the Group and lines of business on a risk-adjusted basis is continuously enhanced to better reflect capital allocation as well as achievements against the Group's risk appetite and target returns expectations.

The development of the franchise is premised on a balanced growth agenda going forward. Top line growth is sought, asset quality is optimised and efficiency as well as productivity measures are implemented. Value driver enhancements to the three key business pillars - Personal Financial Services, Business Banking and HL Markets - through innovative, reinforcing and newer business models in Islamic banking, Private Banking and investment banking can be expected.

## OUTLOOK FOR THE NEW FINANCIAL YEAR

The overall economic outlook remains challenging despite the anticipation for a pick up in the second half of 2005. Crude oil prices hover at record highs.

The industry price war is expected to continue as the system is flushed with liquidity. There may be continued pressures on the bank's funding margins as the cost in the inter-bank futures market may rise if interest rates rise. Loan growth may moderate, unless there is a strong inflow of foreign direct investments into the country. The expected deceleration of consumer credits and new mortgage sales will be tempered by the strong outlook for wealth management and investment and financial planning products.

The Group is further mindful of the inflow of new foreign players in the sector as the industry continues to liberalise. The levelling of the playing field for foreign banks is being monitored closely and consolidation within the industry is expected to be driven by market forces.

Against these scenarios, the Group has laid out a framework of responses in pursuit of its balanced growth agenda and continuance of the transformation agenda. Barring unforeseen circumstances, we are optimistic for the Group to deliver even better higher value for shareholders and stakeholders alike in the coming financial year.

## SHAREHOLDER RETURNS

During the financial year, an interim dividend of 8.5 sen per share less income tax at 28% was paid on 30 March 2005. The Board is proposing a final dividend of 15.5 sen per share less income tax of 28%, payable on 30 November 2005 subject to the approval by shareholders in the coming Annual General Meeting.

Subject to the approval, total gross dividends in respect of the financial year ended 30 June 2005 would be 24 sen per share or 51% of net profit.

## A NOTE OF APPRECIATION

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

My sincere thanks also go to Bank Negara Malaysia, the Ministry of Finance, Government agencies, and regulatory authorities for their invaluable assistance, guidance and counsel.

**Quek Leng Chan**

Chairman

12 September 2005

# Directors' Report

for the financial year ended 30 June 2005

THE DIRECTORS HAVE PLEASURE IN PRESENTING THEIR REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS OF THE GROUP AND OF THE BANK FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005.

## PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of commercial banking business and in the provision of related services which includes Islamic Banking services. During the financial year, the finance company business excluding the leasing business of Hong Leong Finance Berhad (“HLF”), a wholly owned subsidiary, was transferred to the Bank.

The subsidiary companies are primarily engaged in leasing activities, real property investment, nominee services and trade finance activities. Other than described above, there have been no significant changes in the principal activities of the Bank and its subsidiary companies during the financial year.

## OUTLOOK AND BUSINESS PLAN FOR NEW FINANCIAL YEAR

The strength of Malaysian economy remains positive going into the next financial year with Gross Domestic Product (“GDP”) growth projected at around 4% to 5% per annum. While there could be downsides from a weaker external demand due to a softening of the global economy from higher oil prices and rising interest rates, we expect the domestic sector of the economy to pick up through stronger consumer consumption and supportive monetary and fiscal policies.

Overall, the banking sector will remain strong with ample liquidity in the system, improving asset quality and a high level of capitalisation. The changes in the industry's landscape in the form of the new Islamic banks and merger of investment banks, stock broking and discount houses will help to consolidate the industry further in line with the Financial Sector Master Plan.

Against this background, the Group expects the operating conditions to remain favourable into the following year. The Group will continue to adopt a balanced market driven strategy, focusing to grow market share for its chosen segments, keep to a prudent enterprise-wide risk management policy and improve on its delivery of excellent customer service at all points of customer contact.

Indeed, the Bank was granted an Islamic Banking license in October 2004 and launched the newly incorporated subsidiary, Hong Leong Islamic Bank Berhad in July 2005. With this license, the Group is planning to offer a variety of Islamic products and structured finance to tap into this rapid growing segment.

# Directors' Report

for the financial year ended 30 June 2005 (continued)

## CREDIT INFORMATION RATING

Rating Agency Malaysia Berhad has reaffirmed the Bank's long-term and short-term ratings at AA3 and P1 respectively, with a positive outlook in January 2005.

The ratings indicate that in the long-term the Bank is adjudged to offer high safety for timely payment of financial obligations while in the short-term, the Bank is adjudged to have superior capacities for timely payment of obligations.

The Bank's ratings and its debt securities are as follows:

Rating Agency	Date Accorded	Rating Classification
Moody's Investors Services Ltd	18 July 2005	Long Term Rating : Baa1 Short Term Rating : Prime-2 Subordinated Debt : Baa2
Fitch Ratings Ltd	18 July 2005	Long Term Rating : BBB+ Short Term Rating : F2 Subordinated Debt : BBB

## FINANCIAL RESULTS

	The Group RM'000	The Bank RM'000
Profit before taxation and zakat	722,178	1,530,057
Taxation and zakat	(202,444)	(424,262)
Profit after taxation and zakat	519,734	1,105,795

## DIVIDENDS

A final dividend of 15.5 sen per share less income tax at 28% amounting to RM176,339,945 in respect of the financial year ended 30 June 2004 was paid on 23 November 2004.

During the financial year ended 30 June 2005, an interim dividend of 8.5 sen per share less income tax at 28% amounting to RM95,468,887 was paid on 30 March 2005.

The final dividend recommended by the Directors in respect of the financial year ended 30 June 2005 is 15.5 sen per share less income tax at 28% amounting to RM170,587,780.

# Directors' Report

for the financial year ended 30 June 2005 (continued)

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 1 August 2004, the Bank has effected its merger with its subsidiary company, HLF via a transfer of finance company business excluding the leasing business to the Bank. The leasing business of HLF was transferred to Hong Leong Leasing Sdn Bhd on the same day. The scheme of merger was carried out after obtaining Bank Negara Malaysia's ("BNM") approval and Vesting Orders from the High Court of Malaya on 16 July 2004 and 27 July 2004 respectively.
- (b) The member's voluntary winding-up of Visia Nominees Sdn Bhd, an indirect wholly-owned subsidiary of the Bank, has been completed on 20 November 2004.
- (c) Pursuant to Section 29 of the Banking and Financial Institutions Act, 1989, the Bank had, on 28 March 2005, incorporated Hong Leong Islamic Bank Berhad ("HLIBB"), a wholly-owned subsidiary of the Bank for the purpose of undertaking the Islamic Banking business pursuant to Subsection 3(4) of the Islamic Banking Act, 1983.

The Bank had, on 28 June 2005, announced that the Minister of Finance had granted an Islamic Banking licence to HLIBB 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 the Bank to HLIBB. Effective 1 July 2005, the Bank has conducted its Islamic Banking business through HLIBB.

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

## SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

- (a) 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 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.

- (b) 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 ("Proposed Disposal"). The Proposed Disposal was completed on 25 August 2005.

# Directors' Report

for the financial year ended 30 June 2005 (continued)

## SHARE CAPITAL

During the financial year, there were no issuance of new ordinary shares. As at 30 June 2005, the issued and paid-up share capital of the Bank is RM1,580,107,034 comprising 1,580,107,034 ordinary shares of RM1.00 each.

The shareholders of the Bank, via an ordinary resolution passed at the Extraordinary General Meeting held on 2 November 2004, approved the Bank's plan to purchase its own shares up to 10% of existing total issued and paid-up share capital. The Directors of the Bank are committed to enhance the value of the Bank to its shareholders and believe that the share buyback plan can be applied in the best interests of the Bank and its shareholders.

During the financial year, the Bank bought back 51,542,700 of its issued share capital, as stated in Note 19 to the financial statements at an average price of RM5.31 per share from the open market. The share buyback transactions were financed by internally generated funds. As at 30 June 2005, the total number of shares bought back was 51,542,700 which were held as treasury shares in accordance with the provisions of Section 67A of the Companies Act, 1965. Accordingly, the adjusted issued and paid-up share capital of the Bank (excluding 51,542,700 treasury shares) as at 30 June 2005 was 1,528,564,334 shares.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

## DIRECTORS

The Directors who served since the date of the last report are as follows:

YBhg Tan Sri Quek Leng Chan	(Chairman)
Ms Yvonne Chia	(Group Managing Director/Chief Executive)
En Zulkiflee Hashim	(Executive Director)
Mr Kwek Leng Hai	
Mr Kwek Leng Seng	
YBhg Datuk Dr Hussein Awang	
Mr Tan Keok Yin	
Mr Chew Peng Cheng	
YBhg Datuk Mohamed Nazim bin Abdul Razak	
Mr Tsui King Chung, David	

In accordance with Article 113 of the Bank's Articles of Association, YBhg Tan Sri Quek Leng Chan, YBhg Datuk Dr Hussein Awang and Mr Tan Keok Yin retire by rotation from the Board and being eligible, offer themselves for re-election.

# Directors' Report

for the financial year ended 30 June 2005 (continued)

## DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares/warrants/options/irredeemable convertible unsecured loan stocks in the Bank and/or related corporations during the financial year ended 30 June 2005, as recorded in the Register of Directors' Shareholdings kept by the Bank under Section 134 of the Companies Act, 1965, are as follows:

**Shareholdings in which Directors have direct interests  
Number of ordinary shares/\*new shares to be issued arising  
from the exercise of warrants/options/irredeemable  
convertible unsecured loan stocks**

	Nominal value per share	As at 1.7.2004/Date of appointment +	Acquired	Sold/ Options Exercised	As at 30.6.2005
<b>RM</b>					
<b>Interests of YBhg Tan Sri Quek Leng Chan in:</b>					
Hong Leong Company (Malaysia) Berhad	1.00	390,000	-	-	390,000
Guoco Group Limited	USD0.50	1,656,325	-	-	1,656,325
GuocoLand Limited	SGD1.00	14,047,224	-	-	14,047,224
Hong Leong Credit Berhad	1.00	11,046,600	-	-	11,046,600
Hong Leong Industries Berhad	0.50	1,268,000	1,244,000	-	2,512,000
		40,000*	-	-	40,000*
Malaysian Pacific Industries Berhad	0.50	53,500	-	-	53,500
Hong Leong Bank Berhad	1.00	40,000	-	-	40,000
Hume Industries (Malaysia) Berhad	1.00	4,034,000	-	-	4,034,000
Narra Industries Berhad	1.00	8,170,200	-	-	8,170,200
<b>Interests of Mr Kwek Leng Hai in:</b>					
Hong Leong Company (Malaysia) Berhad	1.00	400,500	-	-	400,500
Guoco Group Limited	USD0.50	2,820,775	-	-	2,820,775
GuocoLand Limited	SGD1.00	18,851,140	-	-	18,851,140
Hong Leong Credit Berhad	1.00	756,000	1,400,000	-	2,156,000
		160,800*	-	-	160,800*
Hong Leong Industries Berhad	0.50	163,200	-	-	163,200
		52,112*	-	-	52,112*
HLG Capital Berhad	1.00	500,000	-	-	500,000
Hong Leong Bank Berhad	1.00	3,955,700	-	-	3,955,700
Lam Soon (Hong Kong) Limited	HKD1.00	2,300,000	-	-	2,300,000

# Directors' Report

for the financial year ended 30 June 2005 (continued)

## DIRECTORS' INTERESTS (continued)

Shareholdings in which Directors have direct interests  
Number of ordinary shares/\*new shares to be issued arising  
from the exercise of warrants/options/irredeemable  
convertible unsecured loan stocks

	Nominal value per share	As at 1.7.2004/Date of appointment +	Acquired	Sold/ Options Exercised	As at 30.6.2005
	<b>RM</b>				
<b>Interest of Ms Yvonne Chia in:</b>					
Hong Leong Bank Berhad	1.00	-	20,000	-	20,000
<b>Interests of Mr Kwek Leng Seng in:</b>					
Hong Leong Company (Malaysia) Berhad	1.00	97,500	-	-	97,500
Hong Leong Bank Berhad	1.00	42,490	-	-	42,490
Hong Leong Credit Berhad	1.00	410,600	-	-	410,600
<b>Interests of En Zulkiflee Hashim in:</b>					
Hong Leong Bank Berhad	1.00	96,000*	-	96,000*	-
		-	96,000	96,000	-
<b>Interests of Mr Chew Peng Cheng in:</b>					
Hong Leong Bank Berhad	1.00	819,873	-	-	819,873
<b>Interests of Mr Tsui King Chung, David in:</b>					
Hong Leong Bank Berhad	1.00	-	36,000	-	36,000
Guoco Group Limited	USD0.50	2,000+	-	-	2,000
<b>Interest of Mr Tan Keok Yin in:</b>					
Carmelin Group Berhad	1.00	10,000ø	-	-	10,000

# Directors' Report

for the financial year ended 30 June 2005 (continued)

## DIRECTORS' INTERESTS (continued)

**Shareholdings in which Directors have indirect interests  
Number of ordinary shares/\*new shares to be issued arising  
from the exercise of warrants/options/irredeemable  
convertible unsecured loan stocks**

	Nominal value per share	As at 1.7.2004/Date of appointment +	Acquired	Sold/ Options Exercised	As at 30.6.2005
<b>RM</b>					
<b>Interests of YBhg Tan Sri Quek Leng Chan in:</b>					
Hong Leong Company (Malaysia) Berhad	1.00	7,487,100	-	-	7,487,100
Hong Leong Fund Management Sdn Bhd	1.00	1,400,000	-	-	1,400,000
MEHY Sdn Bhd	1.00	650,000	-	-	650,000
(In members' voluntary liquidation)					
Guoco Group Limited	USD0.50	218,168,884	1,020,000	327,575	218,861,309
Citywide International Limited	USD1.00	-	9	-	9
GuocoLand Limited	SGD1.00	458,785,229	622,000	-	459,407,229
First Changi Development Pte Ltd	SGD1.00	40,002,075	-	-	40,002,075
First Garden Development Pte Ltd	SGD1.00	72,000,000	-	-	72,000,000
Melville Park Development Pte Ltd	SGD1.00	57,840,000	-	-	57,840,000
Sanctuary Land Pte Ltd	SGD1.00	54,000,000	-	-	54,000,000
Beijing Minghua Property Development Co., Ltd	^	150,000,000	-	-	150,000,000
Beijing Xinhaoyi Property Development Co., Ltd	^	138,000,000	-	-	138,000,000
(In members' voluntary liquidation)					
Shanghai Xinhaozhong Property Development Co., Ltd	#	19,600,000	-	-	19,600,000
Beijing Jiang Sheng Property Development Co., Ltd	^	-	247,600,000	-	247,600,000
Lam Soon (Hong Kong) Limited	HKD1.00	140,008,659	-	-	140,008,659
Kwok Wah Hong Flour Company Limited	HKD100.00	9,800	-	-	9,800
LS Golden Oils & Fats Limited	HKD1.00	185,000,000	-	-	185,000,000
M.C. Packaging Offshore Limited	HKD0.01	471,793	-	-	471,793
Lam Soon Ball Yamamura Inc	NTD10.00	23,725,995	5	-	23,726,000
Guangzhou Lam Soon Food Products Limited	Ω	6,570,000	-	-	6,570,000
Shekou Lam Soon Silo Company Limited	#	8,464,500	-	-	8,464,500
Shenzhen Lam Soon Edible Oils Company Limited	#	11,400,000	600,000	-	12,000,000
Hong Leong Credit Berhad	1.00	813,823,554	-	56,256	813,767,298
HLG Capital Berhad	1.00	92,590,545	-	-	92,590,545
Hong Leong Bank Berhad	1.00	951,573,500	2,112,100	-	953,685,600
Hong Leong Industries Berhad	0.50	130,134,500	1,165,400	-	131,299,900
		39,440,435*	-	894,100*	38,546,335*



# Directors' Report

for the financial year ended 30 June 2005 (continued)

## DIRECTORS' INTERESTS (continued)

Shareholdings in which Directors have indirect interests  
Number of ordinary shares/\*new shares to be issued arising  
from the exercise of warrants/options/irredeemable  
convertible unsecured loan stocks

	Nominal value per share	As at 1.7.2004/Date of appointment +	Acquired	Sold/ Options Exercised	As at 30.6.2005
<b>RM</b>					
<b>Interests of YBhg Tan Sri Quek Leng Chan in:</b>					
Hong Leong Yamaha Distributors Sdn Bhd	1.00	10,360,000	-	-	10,360,000
Hong Leong Yamaha Motor Sdn Bhd	1.00	17,352,872	-	-	17,352,872
Guocera Tile Industries (Meru) Sdn Bhd	1.00	19,600,000	-	-	19,600,000
Hong Leong Maruken Sdn Bhd (In members' voluntary liquidation)	1.00	1,750,000	-	-	1,750,000
Guocera Tile Industries (Labuan) Sdn Bhd	1.00	6,545,001	-	-	6,545,001
Varinet Sdn Bhd (In members' voluntary liquidation)	1.00	10,560,627	-	-	10,560,627
RZA Logistics Sdn Bhd	1.00	9,195,270	-	1,379,290@	7,815,980β
Malaysian Pacific Industries Berhad	0.50	113,977,609	123,400	204,200	113,896,809
Carter Realty Sdn Bhd	1.00	7	-	-	7
Carsem (M) Sdn Bhd	1.00	84,000,000	-	-	84,000,000
	100.00	22,400	-	-	22,400
		(Redeemable preference shares)			(Redeemable preference shares)
Guolene Packaging Industries Berhad (In members' voluntary liquidation)	1.00	69,920,528	3,606	-	69,924,134
Guolene Plastic Films Sdn Bhd	1.00	9,350,002	-	9,350,002	-
Hume Industries (Malaysia) Berhad	1.00	115,605,894	2,950,000	19,466	118,536,428
Narra Industries Berhad	1.00	38,304,000	-	-	38,304,000
Camerlin Group Berhad	1.00	219,866,017 <sup>∅</sup>	19,872,762	-	239,738,779
		2,699,793* <sup>∅</sup>	1,189,132*	-	3,888,925*
<b>Interest of Mr Chew Peng Cheng in:</b>					
Hong Leong Bank Berhad	1.00	4,674,666	-	-	4,674,666

### Note:

- ^ Capital contribution in RMB
- # Capital contribution in USD
- Ω Capital contribution in HKD
- @ Cancellation pursuant to capital reduction
- β Remaining shares held after capital reduction
- ∅ Shareholding as at 6 April 2005 as the corporation became a related corporation

# Directors' Report

for the financial year ended 30 June 2005 (continued)

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by certain Directors as shown in the financial statements or the fixed salary of a full-time employee of the Bank or of related corporations) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for:

- (a) YBhg Tan Sri Quek Leng Chan who may be deemed to derive a benefit by virtue of those transactions, contracts and agreements for the acquisition and/or disposal of stocks and shares, stocks in-trade, products, parts, accessories, plants, chattels, fixtures, buildings, land and other properties or any interest in any properties; and/or the provision of services including but not limited to project and sales management and any other management and consultancy services; and/or the provision of construction contracts, leases, tenancy, dealership and distributorship agreements; and/or the provision of treasury functions, advances and the conduct of normal trading, insurance, investment, stockbroking and/or other businesses between the Bank or its related corporations and corporations in which YBhg Tan Sri Quek Leng Chan is deemed to have interest; and
- (b) Mr Chew Peng Cheng who may be deemed to derive a benefit by virtue of the tenancies/leases between the Bank and its related corporations with companies in which Mr Chew Peng Cheng has interests.

There were no arrangement during and at the end of the financial year which had the object of enabling the Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate other than the share options granted pursuant to the ESOS.

## EXECUTIVE SHARE OPTION SCHEME ("ESOS" OR "SCHEME")

The shareholders of the Bank had approved the implementation of the Scheme at the Extraordinary General Meeting held on 23 March 2000. On 22 October 2002, the shareholders of the Bank had approved a proposal to extend the duration of the Scheme for an additional period of 5 years from 11 April 2005 up to and including 10 April 2010 and to amend the Bye-Laws of the Scheme to inter-alia incorporate revisions to Securities Commission Guidelines in relation to employee share option scheme, introduce new performance criteria as a basis for prime value options to key executives and provide flexibility to the Bank to issue new shares and/or transfer existing shares to option holders upon the exercise of their options.

The main features of the ESOS are, inter alia, as follows:-

1. Eligible executives are those executives (including full time executive directors) of the Group who have been confirmed in service on the date of offer. The maximum allowable allotments for the full time executive directors had been approved by the shareholders of the Bank in a general meeting.
2. The aggregate number of shares to be issued under the ESOS shall not exceed 10% of the total issued and paid-up ordinary share capital of the Bank for the time being.
3. The Scheme shall be in force for a period of ten (10) years from 11 April 2000.
4. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Bank preceding the date of offer and shall in no event be less than the par value of the shares of the Bank of RM1.00.

# Directors' Report

for the financial year ended 30 June 2005 (continued)

## EXECUTIVE SHARE OPTION SCHEME ("ESOS" OR "SCHEME") (continued)

5. An option holder may, in a particular year, exercise up to such maximum number of shares in the option certificate as determined by the Board of Directors or as specified in the option certificate.
6. The options granted to the eligible executives will lapse when they are no longer in employment of the Group.

The movement during the year in the number of options over the shares of the Bank are as follows:

	Number of options over ordinary shares	
	RM3.70 per share	RM3.44 per share
At 1 July 2004	2,131,400	10,000
Lapsed on expiry date i.e 11 April 2005	(194,000)	-
Exercised	(1,937,400)	(10,000)
At 30 June 2005	-	-

The 1,947,400 options exercised during the financial year were satisfied by way of the transfer of shares from the Trustee's Account under the ESOS to the option holders.

## OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE BANK

### (I) As at the end of the financial year

- (a) Before the income statements and balance sheets of the Group and the Bank were made out, the Directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and financing and the making of provision for doubtful debts and financing and had satisfied themselves that all known bad debts and financing had been written off and that adequate provision had been made for doubtful debts and financing; and
  - (ii) to ensure that any current assets, other than debts and financing, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and the Bank during the financial year had not been substantially affected by any item, transaction or event of a material and unusual nature.

# Directors' Report

for the financial year ended 30 June 2005 (continued)

## **OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE BANK** (continued)

### **(II) From the end of the financial year to the date of this report**

- (a) The Directors are not aware of any circumstances:
  - (i) which would render the amount written off for bad debts and financing or the amount of the provision for doubtful debts and financing inadequate to any material extent;
  - (ii) which would render the values attributed to current assets in the financial statements misleading; and
  - (iii) which had arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and the Bank misleading or inappropriate.
- (b) In the opinion of the Directors:
  - (i) the results of the operations of the Group and the Bank for the financial year ended 30 June 2005 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and
  - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Bank to meet their obligations as and when they fall due.

### **(III) As at the date of this report**

- (a) There are no charges on the assets of the Group and the Bank which had arisen since the end of the financial year to secure the liabilities of any other person.
- (b) There are no contingent liabilities which had arisen since the end of the financial year.
- (c) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements misleading.

## **HOLDING AND ULTIMATE HOLDING COMPANIES**

The holding and ultimate holding companies are Hong Leong Credit Berhad and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.

## **AUDITORS**

The auditors, Messrs PricewaterhouseCoopers, have expressed their willingness to continue in office.

On behalf of the Board

**Yvonne Chia**

**Zulkiflee Hashim**

Kuala Lumpur  
29 August 2005

# Balance Sheets

as at 30 June 2005

	Note	The Group		The Bank	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Assets</b>					
Cash and short-term funds	3	11,124,578	13,935,646	11,125,551	10,166,102
Securities purchased under resale agreements		9,928,492	-	9,928,492	-
Deposits and placements with banks and other financial institutions	4	3,537,614	2,985,080	3,537,614	2,345,580
Dealing securities	5	2,632,694	2,371,508	2,632,694	2,369,650
Investment securities	6	3,362,726	4,507,210	3,362,726	4,115,065
Loans, advances and financing	7	25,582,735	22,970,195	25,578,044	15,546,040
Other assets	8	252,741	1,193,878	250,395	1,179,199
Statutory deposits with Bank Negara Malaysia	9	839,600	691,988	839,600	379,500
Tax recoverable		2,879	15,290	2,879	15,290
Investment in subsidiary companies	10	-	-	72,041	395,841
Fixed assets	11	244,392	246,964	229,835	172,874
Deferred tax assets	12	115,204	142,646	115,204	93,800
<b>Total assets</b>		<b>57,623,655</b>	<b>49,060,405</b>	<b>57,675,075</b>	<b>36,778,941</b>
<b>Liabilities</b>					
Deposits from customers	13	39,916,490	37,802,258	39,990,690	26,123,219
Deposits and placements of banks and other financial institutions	14	2,066,162	1,451,519	2,066,162	1,657,469
Obligations on securities sold under repurchase agreements		9,521,596	3,594,893	9,521,596	3,594,893
Floating rate certificates of deposit	15	417,916	-	417,916	-
Bills and acceptances payable		568,895	1,248,308	564,897	1,242,679
Other liabilities	16	695,178	468,644	712,946	321,274
Provision for taxation		36,520	69,285	-	-
<b>Total liabilities</b>		<b>53,222,757</b>	<b>44,634,907</b>	<b>53,274,207</b>	<b>32,939,534</b>
Share capital	17	1,580,107	1,580,107	1,580,107	1,580,107
Reserves	18	3,095,166	2,845,391	3,095,136	2,259,300
Less: Treasury shares, at cost	19	(274,375)	-	(274,375)	-
<b>Shareholders' funds</b>		<b>4,400,898</b>	<b>4,425,498</b>	<b>4,400,868</b>	<b>3,839,407</b>
<b>Total liabilities and shareholders' funds</b>		<b>57,623,655</b>	<b>49,060,405</b>	<b>57,675,075</b>	<b>36,778,941</b>
<b>Commitments and contingencies</b>	31	<b>38,380,331</b>	<b>20,200,101</b>	<b>38,376,333</b>	<b>19,407,750</b>

The above balance sheets are to be read in conjunction with the notes to the financial statements on pages 50 to 140.

Auditors' report-page 142.

# Income Statements

for the financial year ended 30 June 2005

	Note	The Group		The Bank	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Interest income	20	<b>2,135,614</b>	2,072,604	<b>2,080,936</b>	1,309,683
Interest expense	21	<b>(1,162,244)</b>	(1,017,823)	<b>(1,137,121)</b>	(652,590)
Net interest income		<b>973,370</b>	1,054,781	<b>943,815</b>	657,093
Income from Islamic Banking Operations	45	<b>151,058</b>	109,364	<b>147,334</b>	21,838
		<b>1,124,428</b>	1,164,145	<b>1,091,149</b>	678,931
Non-interest income	22	<b>339,551</b>	230,076	<b>1,174,427</b>	536,876
		<b>1,463,979</b>	1,394,221	<b>2,265,576</b>	1,215,807
Overhead expenses	23	<b>(575,695)</b>	(498,063)	<b>(570,085)</b>	(421,408)
Operating profit before provision		<b>888,284</b>	896,158	<b>1,695,491</b>	794,399
Loan and financing loss and provision	24	<b>(166,106)</b>	(367,437)	<b>(165,434)</b>	(280,050)
<b>Profit before taxation and zakat</b>		<b>722,178</b>	528,721	<b>1,530,057</b>	514,349
Taxation and zakat	27	<b>(202,444)</b>	(146,761)	<b>(424,262)</b>	(145,034)
<b>Profit after taxation and zakat</b>		<b>519,734</b>	381,960	<b>1,105,795</b>	369,315
<b>Earnings per share (sen):</b>	28				
- basic		<b>33.2</b>	24.5	<b>70.7</b>	23.7
- fully diluted		<b>33.2</b>	24.5	<b>70.7</b>	23.7
<b>Dividend per share (net):</b>					
- interim dividend of 8.5 sen (2004: 8.5 sen) less tax		<b>6.1</b>	6.1	<b>6.1</b>	6.1
- proposed final dividend of 15.5 sen (2004: 15.5 sen) less tax		<b>11.2</b>	11.2	<b>11.2</b>	11.2
		<b>17.3</b>	17.3	<b>17.3</b>	17.3

The above income statements are to be read in conjunction with the notes to the financial statements on pages 50 to 140.

Auditors' report-page 142.

# Statements of Changes in Equity

for the financial year ended 30 June 2005

The Group	Note	Share Capital RM'000	Share premium RM'000	Statutory reserve RM'000	Exchange		Treasury shares RM'000	Retained profit RM'000	Total RM'000
					Merger deficit RM'000	fluctuation reserve RM'000			
<b>Balance as at 1 July 2003</b>		1,434,951	108,779	1,624,590	(73,800)	33,411	-	779,594	3,907,525
Net gains and losses not recognised in the income statement - currency translation differences		-	-	-	-	892	-	-	892
Profit after taxation and zakat		-	-	-	-	-	-	381,960	381,960
Transfer to statutory reserve		-	-	92,329	-	-	-	(92,329)	-
Dividends paid:									
- final dividend for year ended 30 June 2003	29	-	-	-	-	-	-	(344,217)	(344,217)
- interim dividend for year ended 30 June 2004	29	-	-	-	-	-	-	(96,703)	(96,703)
Issue of shares:									
- Issued upon exercise of shares options		1,681	4,529	-	-	-	-	-	6,210
- Special issue to Bumiputra investors		143,475	430,425	-	-	-	-	-	573,900
- Share issue cost		-	(4,069)	-	-	-	-	-	(4,069)
<b>Balance as at 30 June 2004</b>		1,580,107	539,664	1,716,919	(73,800)	34,303	-	628,305	4,425,498
<b>Balance as at 1 July 2004</b>		1,580,107	539,664	1,716,919	(73,800)	34,303	-	628,305	4,425,498
Net gains and losses not recognised in the income statement - currency translation differences		-	-	-	-	1,850	-	-	1,850
Profit after taxation and zakat		-	-	-	-	-	-	519,734	519,734
Transfer to statutory reserve		-	-	(237,703)	-	-	-	237,703	-
Realisation of merger reserve due to capital reduction exercise of HLF		-	-	-	73,800	-	-	(73,800)	-
Purchase of treasury shares	19	-	-	-	-	-	(274,375)	-	(274,375)
Dividends paid:									
- final dividend for year ended 30 June 2004	29	-	-	-	-	-	-	(176,340)	(176,340)
- interim dividend for year ended 30 June 2005	29	-	-	-	-	-	-	(95,469)	(95,469)
<b>Balance as at 30 June 2005</b>		1,580,107	539,664	1,479,216	-	36,153	(274,375)	1,040,133	4,400,898

The above statements of changes in equity are to be read in conjunction with the notes to the financial statements on pages 50 to 140.

Auditors' report-page 142.

# Statements of Changes in Equity

for the financial year ended 30 June 2005 (continued)

The Bank	Note	Share Capital RM'000	Share premium RM'000	Statutory reserve RM'000	Exchange fluctuation reserve RM'000	Treasury shares RM'000	Retained profit RM'000	Total RM'000
<b>Balance as at 1 July 2003</b>		1,434,951	108,779	1,110,438	33,411	-	646,500	3,334,079
Net gains and losses not recognised in the income statement - currency translation differences		-	-	-	892	-	-	892
Profit after taxation and zakat		-	-	-	-	-	369,315	369,315
Transfer to statutory reserve		-	-	92,329	-	-	(92,329)	-
Dividends paid:								
- final dividend for year ended 30 June 2003	29	-	-	-	-	-	(344,217)	(344,217)
- interim dividend for year ended 30 June 2004	29	-	-	-	-	-	(96,703)	(96,703)
Issue of shares:								
- Issued upon exercise of share options		1,681	4,529	-	-	-	-	6,210
- Special issue to Bumiputra investors		143,475	430,425	-	-	-	-	573,900
- Share issue cost		-	(4,069)	-	-	-	-	(4,069)
<b>Balance as at 30 June 2004</b>		1,580,107	539,664	1,202,767	34,303	-	482,566	3,839,407
<b>Balance as at 1 July 2004</b>		1,580,107	539,664	1,202,767	34,303	-	482,566	3,839,407
Net gains and losses not recognised in the income statement - currency translation differences		-	-	-	1,850	-	-	1,850
Profit after taxation and zakat		-	-	-	-	-	1,105,795	1,105,795
Transfer to statutory reserve		-	-	276,449	-	-	(276,449)	-
Purchase of treasury shares	19	-	-	-	-	(274,375)	-	(274,375)
Dividends paid:								
- final dividend for year ended 30 June 2004	29	-	-	-	-	-	(176,340)	(176,340)
- interim dividend for year ended 30 June 2005	29	-	-	-	-	-	(95,469)	(95,469)
<b>Balance as at 30 June 2005</b>		1,580,107	539,664	1,479,216	36,153	(274,375)	1,040,103	4,400,868

The above statements of changes in equity are to be read in conjunction with the notes to the financial statements on pages 50 to 140.

Auditors' report-page 142.



# Cash Flow Statements

for the financial year ended 30 June 2005

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation and zakat	722,178	528,721	1,530,057	514,349
Adjustment for:				
Depreciation	51,582	43,360	50,588	32,390
Net (gain)/loss on disposal of fixed assets	(1,411)	(1,246)	(1,411)	213
Fixed assets written off	102	1,977	102	40
Provision for bad and doubtful debts and financing	257,603	418,620	255,973	320,386
Net interest/income suspended	131,203	132,407	120,692	78,054
Accretion of discount less amortisation of premium	14,566	14,124	14,536	13,927
Provision for diminution in value of investment securities	12,554	6,248	12,554	10,232
Investment income	(219,813)	(102,702)	(216,451)	(86,424)
Dividend income from subsidiary companies	-	-	(813,415)	(330,000)
Net gain from capital reduction exercise in a subsidiary company	-	-	(26,200)	-
Operating profit before working capital changes	968,564	1,041,509	927,025	553,167
<b>(Increase)/decrease in operating assets</b>				
Deposits and placements with banks and other financial institutions	(540,582)	(486,994)	2,842,918	(617,594)
Securities purchased under resale agreements	(9,928,492)	-	(9,928,492)	-
Dealing securities	(259,132)	5,323,396	(260,990)	3,548,870
Loans, advances and financing	(2,984,081)	(971,403)	(3,031,780)	(2,524,272)
Other assets	931,607	(992,384)	928,004	(1,001,809)
Statutory deposits with Bank Negara Malaysia	(147,612)	35,492	(206,412)	1,678
<b>Increase/(decrease) in operating liabilities</b>				
Deposits from customers	2,081,992	1,764,222	3,118,104	4,455,983
Deposits and placements of banks and other financial institutions	610,001	1,056,358	279,650	1,045,558
Obligations on securities sold under repurchase agreements	5,926,703	2,084,254	5,926,703	2,084,254
Floating rate certificates of deposit	417,916	-	417,916	-
Bills and acceptances payable	(679,462)	66,285	(677,830)	60,655
Amounts due to Cagamas	-	(27,095)	-	(27,095)
Other liabilities	215,181	20,971	(374,933)	118,913
Cash generated from/(used in) operations	(3,387,397)	8,914,611	(40,117)	7,698,308
Income taxes and zakat paid	(183,026)	(207,380)	(170,197)	(98,460)
<b>Net cash generated from/(used in) operating activities</b>	<b>(3,570,423)</b>	<b>8,707,231</b>	<b>(210,314)</b>	<b>7,599,848</b>

# Cash Flow Statements

for the financial year ended 30 June 2005 (continued)

	Note	The Group		The Bank	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Cash flows from investing activities</b>					
Net purchase of investment securities		1,186,013	(2,666,490)	889,638	(2,770,867)
Purchase of fixed assets		(65,937)	(63,400)	(65,937)	(54,354)
Proceeds from sale of fixed assets		18,301	16,195	18,301	11,516
Interest received on investment securities		161,113	93,620	160,324	80,814
Dividend received on investment securities		4,553	3,376	3,568	370
Dividend received from subsidiary companies		-	-	585,967	237,600
Capital return on investment in subsidiary companies		-	-	-	300,000
Investment in subsidiary company		-	-	(50,000)	-
<b>Net cash generated from/(used in) investing activities</b>		<b>1,304,043</b>	<b>(2,616,699)</b>	<b>1,541,861</b>	<b>(2,194,921)</b>
<b>Cash flows from financing activities</b>					
Proceeds from share issuance		-	576,041	-	576,041
Dividend paid		(271,808)	(440,920)	(271,808)	(440,920)
Purchase of treasury shares		(274,375)	-	(274,375)	-
<b>Net cash generated from/(used in) financing activities</b>		<b>(546,183)</b>	<b>135,121</b>	<b>(546,183)</b>	<b>135,121</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(2,812,563)</b>	<b>6,225,653</b>	<b>785,364</b>	<b>5,540,048</b>
<b>Effects of exchange rate changes</b>		<b>1,495</b>	<b>10,566</b>	<b>1,495</b>	<b>10,566</b>
<b>Cash and cash equivalents transferred from HLF</b>		<b>-</b>	<b>-</b>	<b>172,590</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of year</b>		<b>13,935,646</b>	<b>7,699,427</b>	<b>10,166,102</b>	<b>4,615,488</b>
<b>Cash and cash equivalents at the end of year</b>	3	<b>11,124,578</b>	<b>13,935,646</b>	<b>11,125,551</b>	<b>10,166,102</b>

The above cash flow statements are to be read in conjunction with the notes to the financial statements on pages 50 to 140.

Auditors' report-page 142

# Notes to the Financial Statements

for the financial year ended 30 June 2005

## 1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Bank have been prepared in accordance with the Malaysian Accounting Standards Board (“MASB”) approved accounting standards in Malaysia, Bank Negara Malaysia (“BNM”) Guidelines and comply with provisions of the Companies Act, 1965. The financial statements incorporate those activities relating to Islamic Banking business which have been undertaken by the Group and the Bank. Islamic Banking business refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

## 2 SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below have been used consistently in dealing with items which are considered material in relation to the financial statements.

### (a) Accounting convention

The financial statements of the Group and of the Bank have been prepared under the historical cost convention unless otherwise indicated.

### (b) Consolidation

The consolidated financial statements include the financial statements of the Bank and all its subsidiary companies made up to the end of the financial year. Inter-company transactions, balances, unrealised gains and losses are eliminated upon consolidation and the consolidated financial statements reflect external transactions only. The Bank adopts both the acquisition and merger methods of consolidation.

When the acquisition method is adopted, the excess of the cost of investment over the fair value of the net assets of the subsidiary companies at the date of acquisition is included in the consolidated financial statements as goodwill on consolidation. For subsidiary companies acquired or disposed during the financial year, the results are included from the date of acquisition up to the date of disposal.

Acquisitions of subsidiary companies which have previously met the criteria for merger accounting under the Malaysian Accounting Standard 2, Accounting for Acquisitions and Mergers, are accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Bank’s books is recorded as the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of shares transferred is treated as merger reserve/deficit in accordance with the merger relief provisions under Section 60(4) of the Companies Act, 1965.

The current applicable approved accounting standard for business combinations is Financial Reporting Standards (“FRS”) Standard No. 122 Business Combinations. As allowed under the standard, the provisions of the standard is applied prospectively, and no retrospective changes have been made. A listing of the Bank’s subsidiaries is set out in Note 10.

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Recognition of interest income

Interest income is recognised on an accrual basis. Interest income on housing and term loan is recognised by reference to rest periods which are either daily, monthly or yearly. The “rule of 78” method is applied in respect of income earned on hire purchase, block discounting and leasing.

Where an account is classified as non-performing, recognition of interest income is suspended until it is realised on a cash basis. Customers’ accounts are classified as non-performing where repayments are in arrears for 3 months or more for loans and overdrafts, and after 3 months from maturity date for trade bills, bankers’ acceptances and trust receipts.

The policy on suspension of interest is in general more stringent than that laid down in BNM’s “Guidelines on the Classification of Non-performing Loans and Provision for Substandard, Bad and Doubtful Debts, BNM/GP3”.

### (d) Recognition of fees and other income

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled. Commitment fees and guarantee fees which are material are recognised as income based on time apportionment. Services charges and other fee income are recognised as income when the services are rendered.

Dividends from dealing securities, investment securities and subsidiary companies are recognised when the rights to receive payment is established. Dividend income from Malaysian Government investment certificates invested for the purpose of Islamic Banking business is recognised on a basis consistent with the principles of Shariah.

Net profit from dealing and investment securities are recognised upon disposal of the securities, as the difference between net disposal proceeds and the carrying amount of the securities.

### (e) Goodwill on consolidation

Goodwill arising on consolidation represents the excess of the cost of investment over the fair value of the net assets of subsidiary companies at the date of acquisition. Goodwill is stated at cost except where it is written off if, in the opinion of the Directors, it is impaired.

### (f) Provision for bad and doubtful debts and financing

Specific provisions are made for doubtful debts and financing which have been individually reviewed and specifically identified as bad or doubtful.

A general provision based on a percentage of the loan and financing portfolio is also made to cover possible losses which are not specifically identified.

An uncollectible loan and financing or portion of a loan and financing classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management there is no prospect of recovery.

The policy on provision for bad and doubtful debts and financing is in general more stringent than that laid down in BNM’s “Guidelines on the Classification of Non-performing Loans and Provision for Substandard, Bad and Doubtful Debts, BNM/GP3”.

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Resale and repurchase agreements

Securities purchased under resale agreements are securities which the Bank had purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities which the Bank had sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligations to repurchase the securities are reflected as a liability on the balance sheet.

### (h) Dealing securities

Dealing securities are marketable securities that are acquired and held with the intention of resale in the short term and are stated at the lower of cost and market value. Interest earned whilst holding dealing securities is reported as interest income. Dividends received are included separately in dividend income.

Transfers, if any, between dealing and investment securities are made at the lower of cost and market value.

### (i) Investment securities

Investment securities are securities that are acquired and held for yield or capital growth or to meet minimum liquid assets requirement pursuant to Section 38 of the Banking and Financial Institutions Act, 1989 and are usually held to maturity.

Malaysian Government securities, Malaysian Government investment certificates, Cagamas bonds, other Government securities and bank guaranteed private debts securities held for investment are stated at cost adjusted for amortisation of premium or accretion of discount, where applicable, to maturity date. Other private debt securities are valued at the lower of cost and market value. Other investment securities are stated at cost and provision is made in the event of any permanent diminution in value.

Transfers, if any, between investment and dealing securities are made at the lower of carrying value and market value.

### (j) Investment in subsidiary companies

A subsidiary company is a company in which the Bank controls the composition of its board of directors or more than half of its voting power, or holds more than half of its issued ordinary share capital.

Investment in subsidiary companies is stated at cost and is written down when the Directors consider that there is an impairment in the value of such investments.

### (k) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and impairment loss (if any). Freehold land is not depreciated. Depreciation of other fixed assets is calculated to write off the cost of the fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates are:

	%
Buildings on freehold land	2
Short-term leasehold land - less than 50 years	Over the lease period
Long-term leasehold land - 50 years or more	Over the lease period
Leasehold buildings	Over the remaining period of the lease or 2% whichever is shorter
Office furniture, fittings, equipment and renovations, computer equipment and software	20
Motor vehicles	25

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (k) Fixed assets and depreciation (continued)

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

### (l) Leases

#### Where the Bank/Group is the lessee

Lease of fixed assets where the Bank/Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of fair value of the lease assets or the present value of the minimum lease payments. Each lease payment is allocated between the liability and the finance charge by applying the "rule of 78". The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period. Fixed assets acquired under finance lease are depreciated over the estimated useful life of the assets.

Leases of assets where a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payment made under operating leases are charged to income statement over the lease period.

#### Where the Bank/Group is the lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as receivable. The difference between the gross receivables and net present value of the receivables is recognised as unearned income. Lease income is recognised over the term of the lease using the "rule of 78".

Assets leased out under operating leases are included in fixed assets in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar assets. Rental income is recognised on straight line basis over the lease term.

### (m) Impairment of assets

The carrying amounts of the assets are assessed at each balance sheet date whether there is any indication that the assets may be impaired. If any such indications exist, the recoverable amounts of the assets are estimated.

The recoverable amount is the higher of the asset's net selling price and its value in use. In assessing the value in use, estimated cash flows are discounted to their present values using a discount rate that reflects current market assessment of the time value of money and the risk specific to the asset. An impairment loss is recognised in the income statement immediately when the carrying amount of the asset exceeds its recoverable amount.

### (n) Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences are disclosed in Note 12 to the financial statements. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (o) Derivative financial instruments

#### Trading

The fair value of trading derivative financial instruments are included in the balance sheet and gains and losses on these instruments are taken directly to the income statement.

Foreign exchange and interest rate forwards, futures and forward purchases and sales of securities entered into for trading purposes are valued at prevailing market rates. Gains and losses on interest rate swaps, futures contracts that do not qualify as hedge are recognised in the current year using the mark-to-market method and are included in net profit/(loss) on dealing securities and derivative financial instruments.

#### Hedging

Foreign exchange and interest rate forwards, futures and swaps entered into for hedging purposes are accounted for in a manner consistent with the accounting treatment of the hedged item. To qualify as a hedge, the swap, forward or futures position must be designated as a hedge and be effective in reducing the market risk of an existing asset, liability, firm commitment, or anticipated transaction where there is a high probability of the transaction occurring and the extent, term and nature of the exposure is capable of being estimated.

Where the hedged item ceases to exist, the corresponding derivative hedge contract is restated at fair value and any resulting unrecognised gains and losses are taken to the income statement.

### (p) Currency translations

Transaction in foreign currencies are translated at rates prevailing on transaction dates. Individual foreign currency assets and liabilities are stated in the balance sheet at spot rates of exchange which closely approximate those ruling at the balance sheet date. All exchange gains and losses are recognised in the income statement in the year they arise other than transactions entered into for hedging purposes, if any.

The results of foreign branch and foreign subsidiary for the year are translated into Ringgit Malaysia at average exchange rates for the year and the balance sheets are translated at the rates of exchange ruling at the balance sheet date. Gains or losses arising on translation into Ringgit Malaysia are taken to an exchange fluctuation reserve.

### (q) Employee benefits

#### Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Bank.

#### Defined contribution plan

A defined contribution plan is a pension plan under which the Group and the Bank pays fixed contributions into a fund and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (q) Employee benefits (continued)

#### Defined contribution plan (continued)

The Group and Bank contributes to a national defined contribution plan (the Employee Provident Fund) on a mandatory basis and the amounts contributed to the plan are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group and the Bank has no further payment obligations.

#### Equity compensation benefits

The Group and the Bank do not make a charge to the income statement when share options are granted to Directors and employees. When the share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital (nominal value) and share premium. During the last financial year, a trust has been set up to purchase the Bank's stocks from the open market as detailed in Note 42 to the financial statements. The cost of operating the ESOS scheme is charged to the income statement.

### (r) Foreclosed properties

Foreclosed properties are stated at the lower of cost and net realisable value.

### (s) Dealers' handling fees

Dealers' handling fees represent those amounts paid to dealers at the inception of the deals. Such expenditure are expensed off in the period they are incurred.

### (t) Bills and acceptances payable

Bills and acceptances payable represent the Bank's own bills and acceptances rediscounted and outstanding in the market.

### (u) Amounts due to Cagamas Berhad ("Cagamas")

In the normal course of banking operations, the Bank sells loans to Cagamas. The Bank is liable in respect of the loans sold directly with full recourse to Cagamas under the condition that the Bank undertakes to administer the loans on behalf of Cagamas and to buy back any loans which are regarded as defective. Such financing transactions and the obligation to buy back the loans are reflected as a liability on the balance sheet. Interest income received from the loans and subsequently paid to Cagamas are recognised on a gross basis as "interest income" and "interest expense" in the income statement. The Bank's treatment on loans sold to Cagamas is in conformity with BNM's Circular on "Accounting Treatment for Loans Sold to Cagamas with Recourse". As at 30 June 2005, there is no amount due to Cagamas.

### (v) Amounts recoverable from Danaharta

This relates to the loans sold to Danaharta where the total consideration is received in two portions; upon the sale of the loans (initial consideration) and upon the recovery of the loans (final consideration). The final consideration amount represents the Group's predetermined share of the surplus over the initial consideration upon recovery of the loans.



# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (v) Amounts recoverable from Danaharta (continued)

The difference between the carrying value of the loans and initial consideration is recognised as “Amounts recoverable from Danaharta” within the “Other assets” component of the balance sheet. Provisions against these amounts are made to reflect the Directors’ assessment of the realisable value of the final consideration as at the balance sheet date. As at 30 June 2005, the amount recoverable from Danaharta has been fully provided.

### (w) Provisions

Provisions are recognised when the Group and the Bank has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligations, and when a reliable estimate of the amount can be made.

### (x) Cash and cash equivalents

Cash and cash equivalents are cash and short term funds held for the purpose of meeting short term commitments and readily convertible into cash without significant risk of changes in value.

### (y) Zakat

In respect of the Islamic Banking operations, the Group and the Bank only pays zakat on its business and does not pay zakat on behalf of depositors or shareholders. The amount is payable by the Group and the Bank in compliance with Shariah principles.

### (z) Profit equalisation reserve (“PER”)

In relation to Islamic Banking, PER is a mechanism to reduce the fluctuations in the profit rates payable to the depositors. It is provided based on the Framework of the Rate of Return issued by Bank Negara Malaysia. The amount of PER is appropriated from and written back to the total gross income. The PER is shared by both the depositors and the Bank and is reflected under other liabilities of the Group and the Bank.

### (aa) Treasury shares

The Bank shares repurchased and held are designated as treasury shares. These shares are treated as unissued shares and are presented as a reduction from shareholders’ equity, at cost.

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 3 CASH AND SHORT-TERM FUNDS

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash and balances with banks and other financial institutions	496,913	537,143	497,886	363,899
Money at call and deposit placements maturing within one month	10,627,665	13,398,503	10,627,665	9,802,203
	<b>11,124,578</b>	13,935,646	<b>11,125,551</b>	10,166,102

## 4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Bank Negara Malaysia ("BNM")	3,378,987	2,716,100	3,378,987	2,127,200
Licensed banks	158,627	44,186	158,627	44,186
Licensed finance companies	-	50,600	-	-
Other financial institutions	-	174,194	-	174,194
	<b>3,537,614</b>	2,985,080	<b>3,537,614</b>	2,345,580

## 5 DEALING SECURITIES

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Money market instruments:</b>				
BNM bills	1,421	139	1,421	139
Malaysian Government treasury bills	9,738	12,296	9,738	12,296
Malaysian Government securities	15,549	51,623	15,549	51,623
Other Government securities	98,018	-	98,018	-
Cagamas bonds	206,525	19,991	206,525	19,991
Bankers' acceptances and Islamic accepted bills	538,530	1,858	538,530	-
Negotiable instruments of deposit	1,670,100	2,191,593	1,670,100	2,191,593
<b>Quoted securities:</b>				
Shares quoted in Malaysia	8,443	20,303	8,443	20,303
	<b>2,548,324</b>	2,297,803	<b>2,548,324</b>	2,295,945
<b>Unquoted securities:</b>				
Private debt securities	84,370	73,705	84,370	73,705
	<b>2,632,694</b>	2,371,508	<b>2,632,694</b>	2,369,650

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 5 DEALING SECURITIES (continued)

### (i) Market value of quoted securities:

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
BNM bills	1,421	139	1,421	139
Malaysian Government treasury bills	9,738	12,296	9,738	12,296
Malaysian Government securities	15,549	51,710	15,549	51,710
Other Government securities	98,018	-	98,018	-
Cagamas bonds	206,632	20,005	206,632	20,005
Shares quoted in Malaysia	9,078	20,345	9,078	20,345

## 6 INVESTMENT SECURITIES

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Money market instruments:</b>				
Malaysian Government securities	281,665	1,725,024	281,665	1,553,430
Malaysian Government investment certificates	238,912	244,112	238,912	204,112
Other Government securities	228,906	264,683	228,906	264,683
Cagamas bonds	1,335,696	1,545,092	1,335,696	1,526,666
Khazanah bonds	9,027	9,027	9,027	9,027
Danaharta bonds	-	33,523	-	-
Negotiable instruments of deposit	6,094	5,704	6,094	5,704
	<b>2,100,300</b>	<b>3,827,165</b>	<b>2,100,300</b>	<b>3,563,622</b>
<b>Quoted securities:</b>				
Shares quoted in Malaysia	36,532	39,208	36,532	17,516
Loan stocks quoted in Malaysia	33,743	49,296	33,743	5,533
Shares quoted outside Malaysia	526	529	526	529
Foreign currency bonds	852,311	352,547	852,311	352,547
	<b>3,023,412</b>	<b>4,268,745</b>	<b>3,023,412</b>	<b>3,939,747</b>
<b>Unquoted securities:</b>				
Shares	36,641	36,390	36,641	19,442
Loan stocks	16,789	41,405	16,789	14,267
Private and Islamic debt securities	360,870	238,689	360,870	210,333
	<b>3,437,712</b>	<b>4,585,229</b>	<b>3,437,712</b>	<b>4,183,789</b>
Accretion of discount less amortisation of premium	75	(3,930)	75	(7,093)
Provision for diminution in value of investment securities:				
- quoted investments	(39,486)	(28,477)	(39,486)	(18,530)
- unquoted investments	(35,575)	(45,612)	(35,575)	(43,101)
	<b>3,362,726</b>	<b>4,507,210</b>	<b>3,362,726</b>	<b>4,115,065</b>

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 6 INVESTMENT SECURITIES (continued)

### (i) Market value of quoted securities:

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Malaysian Government securities	276,882	1,712,155	276,882	1,544,248
Malaysian Government investment certificates	256,756	246,427	256,756	211,747
Other Government securities	229,434	264,831	229,434	264,831
Cagamas bonds	1,347,225	1,544,148	1,347,225	1,525,599
Khazanah bonds	9,655	9,291	9,655	9,291
Shares quoted in Malaysia	23,156	35,860	23,156	14,423
Loan stocks quoted in Malaysia	16,760	46,111	16,760	3,184
Shares quoted outside Malaysia	314	523	314	523
Foreign currency bonds	837,825	350,772	837,825	350,772

### (ii) The maturity structure of money market instruments held for investment is as follows:

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Maturing within:				
- one year	386,358	585,443	386,358	429,349
- one year to three years	1,248,393	1,806,364	1,248,393	1,778,736
- three years to five years	465,549	1,435,358	465,549	1,355,537
	<b>2,100,300</b>	<b>3,827,165</b>	<b>2,100,300</b>	<b>3,563,622</b>

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 7 LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Overdrafts	<b>3,142,456</b>	3,266,230	<b>3,145,443</b>	3,269,916
Term loans:				
- fixed rate	<b>1,663,711</b>	1,254,754	<b>1,662,411</b>	1,138,984
- floating rate	<b>13,073,785</b>	11,559,403	<b>13,073,785</b>	9,058,592
Hire purchase	<b>6,464,138</b>	6,543,447	<b>6,464,138</b>	386
Lease receivables	<b>10,139</b>	35,610	-	-
Credit/charge card receivables	<b>945,210</b>	807,095	<b>945,210</b>	807,095
Bills receivable	<b>539,443</b>	692,352	<b>539,443</b>	692,352
Trust receipts	<b>192,550</b>	244,136	<b>192,550</b>	244,136
Claims on customers under acceptance credits	<b>2,002,016</b>	1,714,589	<b>1,998,018</b>	1,708,959
Staff loans	<b>129,235</b>	128,911	<b>129,235</b>	85,821
Other loans	<b>6,608</b>	9,536	<b>6,608</b>	1,698
	<b>28,169,291</b>	26,256,063	<b>28,156,841</b>	17,007,939
Unearned interest and income	<b>(1,323,989)</b>	(1,409,814)	<b>(1,323,989)</b>	(409,541)
Gross loans, advances and financing	<b>26,845,302</b>	24,846,249	<b>26,832,852</b>	16,598,398
Interest-in-suspense/income-in-suspense	<b>(384,436)</b>	(641,056)	<b>(382,312)</b>	(287,342)
Provision for bad and doubtful debts and financing:				
- specific	<b>(465,254)</b>	(868,043)	<b>(459,679)</b>	(516,854)
- general	<b>(412,877)</b>	(366,955)	<b>(412,817)</b>	(248,162)
	<b>(1,262,567)</b>	(1,876,054)	<b>(1,254,808)</b>	(1,052,358)
Total net loans, advances and financing	<b>25,582,735</b>	22,970,195	<b>25,578,044</b>	15,546,040

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 7 LOANS, ADVANCES AND FINANCING (continued)

(i) The maturity structure of loans, advances and financing is as follows:

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Maturing within:				
- one year	9,092,506	9,077,305	9,080,056	7,764,568
- one year to three years	2,143,408	2,487,681	2,143,408	573,247
- three years to five years	2,960,456	3,654,176	2,960,456	700,512
- over five years	12,648,932	9,627,087	12,648,932	7,560,071
	<b>26,845,302</b>	24,846,249	<b>26,832,852</b>	16,598,398

(ii) Loans, advances and financing analysed by their economic purposes are as follows:

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Agriculture	246,693	248,421	246,095	223,528
Mining and quarrying	38,446	42,582	38,413	30,587
Manufacturing	2,360,939	2,535,916	2,351,112	2,338,797
Electricity, gas and water	33,704	130,258	33,704	114,075
Construction	902,252	1,130,972	901,480	630,179
Real estate	309,686	202,245	309,686	136,093
Purchase of landed property:	11,046,239	8,765,898	11,046,239	7,354,713
- residential	8,550,269	6,722,110	8,550,269	5,552,797
- non-residential	2,495,970	2,043,788	2,495,970	1,801,916
General commerce	1,883,913	1,739,877	1,883,421	1,558,393
Transport, storage and communication	290,738	316,193	290,738	244,968
Finance, insurance and business services	573,333	771,190	574,509	657,464
Purchase of securities	847,963	983,091	846,663	624,350
Purchase of transport vehicles	4,883,632	4,977,242	4,883,632	6,471
Consumption credit	2,134,258	1,871,167	2,134,258	1,870,762
Others	1,293,506	1,131,197	1,292,902	808,018
	<b>26,845,302</b>	24,846,249	<b>26,832,852</b>	16,598,398

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 7 LOANS, ADVANCES AND FINANCING (continued)

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

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Interest-in-suspense/income-in-suspense ("IIS")</b>				
As at beginning of the year	641,056	619,551	287,342	274,587
Amount transferred from HLF	-	-	300,455	-
Provisions made during the year	370,231	280,001	344,941	148,887
Amount written back in respect of recoveries	(239,028)	(147,594)	(224,249)	(70,833)
Amount transferred to provision for diminution in value	-	(1,059)	-	(1,059)
Amount written off	(388,062)	(110,351)	(326,416)	(64,748)
Exchange difference	239	508	239	508
As at end of the year	384,436	641,056	382,312	287,342
<b>Specific provision ("SP")</b>				
As at beginning of the year	868,043	789,517	516,854	445,375
Amount transferred from HLF	-	-	286,997	-
Provisions made during the year	304,207	531,472	292,367	326,220
Amount written back in respect of recoveries	(101,309)	(126,415)	(89,323)	(45,901)
Amount transferred to provision for diminution in value	(904)	(21,177)	(904)	(21,177)
Amount written off	(605,675)	(306,987)	(547,204)	(189,296)
Exchange difference	892	1,633	892	1,633
As at end of the year	465,254	868,043	459,679	516,854
<b>General provision ("GP")</b>				
As at beginning of the year	366,955	365,887	248,162	212,506
Amount transferred from HLF	-	-	117,119	-
Net provisions made during the year	45,697	864	47,311	35,452
Exchange difference	225	204	225	204
As at end of the year	412,877	366,955	412,817	248,162
(as % of total loans less SP and IIS)	1.6%	1.6%	1.6%	1.6%

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 7 LOANS, ADVANCES AND FINANCING (continued)

(iv) Movements in the non-performing loans and financing are as follows:

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
As at beginning of the year	2,775,205	2,819,191	1,416,731	1,375,625
Amount transferred from HLF	-	-	1,226,687	-
Non-performing during the year	2,779,219	2,687,510	2,723,841	1,482,356
Accrued interest	228,196	125,338	217,572	114,655
Performing during the year	(2,151,406)	(1,906,473)	(2,103,993)	(990,467)
Amount written back in respect of recoveries	(624,402)	(556,174)	(601,680)	(326,765)
Amount written off	(997,973)	(396,224)	(878,053)	(240,710)
Exchange difference	1,772	2,037	1,772	2,037
As at end of the year	2,010,611	2,775,205	2,002,877	1,416,731
<b>Ratio of non-performing loans to total loans, both net of SP and IIS</b>	<b>4.5%</b>	<b>5.4%</b>	<b>4.5%</b>	<b>3.9%</b>

## 8 OTHER ASSETS

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Foreclosed properties	3,159	3,480	3,159	3,480
Special deposit with BNM	-	972,810	-	972,810
Other debtors, deposits and prepayments	100,503	134,327	98,157	129,119
Interest receivable	149,079	83,261	149,079	73,790
	252,741	1,193,878	250,395	1,179,199
Amounts recoverable from Danaharta:				
As at beginning of the year	-	8,356	-	4,174
Provision made during the year	-	(8,356)	-	(4,174)
As at end of the year	-	-	-	-

The special deposit with BNM was non-interest bearing and has matured in June 2005.



# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 9 STATUTORY DEPOSITS WITH BNM

The non-interest bearing statutory deposits are maintained with BNM in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958, the amount of which is determined at set percentages of total eligible liabilities.

## 10 INVESTMENT IN SUBSIDIARY COMPANIES

	The Bank	
	2005 RM'000	2004 RM'000
Unquoted shares, at cost:		
- in Malaysia	99,771	423,571
- outside Malaysia	11	11
Arising from translation of a foreign subsidiary company	11	11
	<b>99,793</b>	423,593
Provision for impairment in value	<b>(27,752)</b>	(27,752)
	<b>72,041</b>	395,841
As at beginning of the year	<b>395,841</b>	695,841
Less : Return of capital	<b>(373,800)</b>	(300,000)
Add : Incorporation of new subsidiary - HLIBB	<b>50,000</b>	-
As at end of the year	<b>72,041</b>	395,841

During the financial year, via a capital reduction exercise, Hong Leong Finance Berhad ("HLF") reduced its ordinary share capital to RM2 and returned the balance of capital to the Bank.

On 28 March 2005, the Bank had incorporated a wholly-owned subsidiary known as Hong Leong Islamic Bank Berhad ("HLIBB") for the purpose of undertaking the Islamic Banking business pursuant to subsection 3(4) of the Islamic Banking Act, 1983.

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 10 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies of the Bank are as follows:

Name	Percentage of equity held		Principal activities
	2005	2004	
HLF and its subsidiary companies:*	100	100	Dormant
- Pelita Terang Sdn Bhd*	100	100	Dormant
- Visia Nominees Sdn Bhd*	-	100	Dissolved by member's voluntary liquidation
- HLF Credit (Perak) Bhd*	100	100	Property investment holding
Hong Leong Leasing Sdn Bhd*	100	100	Money lending and leasing business
HL Leasing Sdn Bhd	100	100	Dormant
HLB Realty Sdn Bhd	100	100	Real property investment
HLB Nominees (Tempatan) Sdn Bhd	100	100	Agent and nominee for Malaysian clients
HLB Nominees (Asing) Sdn Bhd	100	100	Agent and nominee for foreign clients
HL Bank Nominees (Singapore) Pte Ltd+	100	100	Agent and nominee for clients
HLB Ventures Sdn Bhd	100	100	Dormant
Credit Corporation (Malaysia) Sdn Bhd#	100	100	Dormant
WTB Corporation Berhad ("WTB") and its subsidiary companies:#	100	100	Dormant
- Wah Tat Nominees (Tempatan) Sdn Bhd*	100	100	Agent and nominee for Malaysian clients
- Wah Tat Nominees (Asing) Sdn Bhd*	100	100	Agent and nominee for foreign clients
- Wah Tat Properties Sdn Bhd*	100	100	Dormant
- Chew Geok Lin Finance Berhad	100	100	Dormant
- Chew Geok Lin Nominees (Tempatan) Sendirian Berhad*	100	100	Dormant
- Chew Geok Lin Nominees (Asing) Sendirian Berhad*	100	100	Dormant
HLB Trade Services (Hong Kong) Limited+	100	100	Trade finance activities
Hong Leong Islamic Bank Berhad	100	-	Islamic Banking business

\* Not audited by PricewaterhouseCoopers.

+ Audited by member firms of PricewaterhouseCoopers International.

# Subsidiary company consolidated under the merger method of accounting.

All the subsidiary companies are incorporated in Malaysia with the exception of HL Bank Nominees (Singapore) Pte Ltd, which is incorporated in Singapore and HLB Trade Services (Hong Kong) Limited which is incorporated in Hong Kong.

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 11 FIXED ASSETS

The Group 2005 Cost	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land less than 50 years RM'000	Leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000
As at beginning of the year	32,632	35,870	5,271	6,246	2,683	16,852
Additions	359	-	-	-	-	-
Disposals	(796)	(1,570)	-	(1,733)	-	(1,180)
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	32,195	34,300	5,271	4,513	2,683	15,672
<b>Accumulated depreciation</b>						
As at beginning of the year	-	5,338	1,916	734	561	2,555
Charge for the year	-	418	43	63	36	244
Disposals	-	(332)	-	(100)	-	(203)
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	-	5,424	1,959	697	597	2,596
<b>Net book value as at 30 June 2005</b>	<b>32,195</b>	<b>28,876</b>	<b>3,312</b>	<b>3,816</b>	<b>2,086</b>	<b>13,076</b>

The Group 2005 Cost	Office furniture, fittings equipment and renovations* RM'000	Computer, equipment and software RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
As at beginning of the year	171,289	271,064	7,982	22,594	572,483
Additions	8,437	54,107	3,034	-	65,937
Disposals	(14,418)	(18,188)	(1,871)	(10,621)	(50,377)
Exchange fluctuation	121	162	10	-	293
As at end of the year	165,429	307,145	9,155	11,973	588,336
<b>Accumulated depreciation</b>					
As at beginning of the year	128,296	180,392	5,727	-	325,519
Charge for the year	15,740	33,756	1,282	-	51,582
Disposals	(13,694)	(17,191)	(1,871)	-	(33,391)
Exchange fluctuation	109	124	1	-	234
As at end of the year	130,451	197,081	5,139	-	343,944
<b>Net book value as at 30 June 2005</b>	<b>34,978</b>	<b>110,064</b>	<b>4,016</b>	<b>11,973</b>	<b>244,392</b>

\* Renovation works with net book value of nil (2004: RM5,535,000) are financed under finance lease.

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 11 FIXED ASSETS (continued)

The Group 2004 Cost	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land less than 50 years RM'000	Leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000
As at beginning of the year	34,375	36,862	5,271	6,625	2,683	18,168
Additions	-	-	-	-	-	-
Disposals	(1,743)	(992)	-	(379)	-	(1,316)
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	32,632	35,870	5,271	6,246	2,683	16,852
<b>Accumulated depreciation</b>						
As at beginning of the year	-	5,349	1,855	710	513	2,485
Charge for the year	-	494	61	75	48	225
Disposals	-	(505)	-	(51)	-	(155)
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	-	5,338	1,916	734	561	2,555
<b>Net book value as at 30 June 2004</b>	<b>32,632</b>	<b>30,532</b>	<b>3,355</b>	<b>5,512</b>	<b>2,122</b>	<b>14,297</b>

The Group 2004 Cost	Office furniture, fittings equipment and renovations* RM'000	Computer, equipment and software RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
As at beginning of the year	172,001	228,017	8,035	33,037	545,074
Additions	16,298	45,550	1,552	-	63,400
Disposals	(17,139)	(2,659)	(1,617)	(10,443)	(36,288)
Exchange fluctuation	129	156	12	-	297
As at end of the year	171,289	271,064	7,982	22,594	572,483
<b>Accumulated depreciation</b>					
As at beginning of the year	127,498	156,540	6,313	-	301,263
Charge for the year	15,285	26,355	817	-	43,360
Disposals	(14,601)	(2,635)	(1,415)	-	(19,362)
Exchange fluctuation	114	132	12	-	258
As at end of the year	128,296	180,392	5,727	-	325,519
<b>Net book value as at 30 June 2004</b>	<b>42,993</b>	<b>90,672</b>	<b>2,255</b>	<b>22,594</b>	<b>246,964</b>

\* Renovation works with net book value of RM5,535,000 (2003: RM9,778,000) are financed under finance lease.

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 11 FIXED ASSETS (continued)

The Bank 2005 Cost	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land less than 50 years RM'000	Leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000
As at beginning of the year	14,599	18,550	3,300	2,973	1,245	7,847
Amount transferred from HLF	8,458	14,863	711	2,222	1,429	5,161
Additions	359	-	-	-	-	-
Disposals	(796)	(1,570)	-	(1,733)	-	(1,180)
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	22,620	31,843	4,011	3,462	2,674	11,828
<b>Accumulated depreciation</b>						
As at beginning of the year	-	1,466	556	329	303	249
Amount transferred from HLF	-	3,275	100	273	261	825
Charge for the year	-	351	43	53	34	160
Disposals	-	(332)	-	(100)	-	(203)
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	-	4,760	699	555	598	1,031
<b>Net book value as at 30 June 2005</b>	<b>22,620</b>	<b>27,083</b>	<b>3,312</b>	<b>2,907</b>	<b>2,076</b>	<b>10,797</b>

The Bank 2005 Cost	Office furniture, equipment and renovations* RM'000	Computer, equipment and software RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
As at beginning of the year	120,570	195,317	6,142	22,594	393,137
Amount transferred from HLF	49,283	75,549	1,839	-	159,515
Additions	8,437	54,107	3,034	-	65,937
Disposals	(14,418)	(18,188)	(1,871)	(10,621)	(50,377)
Exchange fluctuation	121	162	10	-	293
As at end of the year	163,993	306,947	9,154	11,973	568,505
<b>Accumulated depreciation</b>					
As at beginning of the year	89,112	124,221	4,027	-	220,263
Amount transferred from HLF	38,018	56,514	1,710	-	100,976
Charge for the year	15,450	33,227	1,270	-	50,588
Disposals	(13,694)	(17,191)	(1,871)	-	(33,391)
Exchange fluctuation	109	124	1	-	234
As at end of the year	128,995	196,895	5,137	-	338,670
<b>Net book value as at 30 June 2005</b>	<b>34,998</b>	<b>110,052</b>	<b>4,017</b>	<b>11,973</b>	<b>229,835</b>

\* Renovation works with net book value of nil (2004: RM5,535,000) are financed under finance lease.

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 11 FIXED ASSETS (continued)

The Bank 2004 Cost	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land less than 50 years RM'000	Leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000
As at beginning of the year	14,599	18,550	3,300	2,973	1,245	8,403
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	(556)
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	14,599	18,550	3,300	2,973	1,245	7,847
<b>Accumulated depreciation</b>						
As at beginning of the year	-	1,329	498	273	280	211
Charge for the year	-	137	58	56	23	54
Disposals	-	-	-	-	-	(16)
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	--	1,466	556	329	303	249
<b>Net book value as at 30 June 2004</b>	<b>14,599</b>	<b>17,084</b>	<b>2,744</b>	<b>2,644</b>	<b>942</b>	<b>7,598</b>

The Bank 2004 Cost	Office furniture, fittings equipment and renovations* RM'000	Computer, equipment and software RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
As at beginning of the year	111,152	157,725	5,888	33,037	356,872
Additions	15,106	37,696	1,552	-	54,354
Disposals	(5,817)	(260)	(1,310)	(10,443)	(18,386)
Exchange fluctuation	129	156	12	-	297
As at end of the year	120,570	195,317	6,142	22,594	393,137
<b>Accumulated depreciation</b>					
As at beginning of the year	83,458	103,721	4,462	-	194,232
Charge for the year	10,776	20,625	661	-	32,390
Disposals	(5,236)	(257)	(1,108)	-	(6,617)
Exchange fluctuation	114	132	12	-	258
As at end of the year	89,112	124,221	4,027	-	220,263
<b>Net book value as at 30 June 2004</b>	<b>31,458</b>	<b>71,096</b>	<b>2,115</b>	<b>22,594</b>	<b>172,874</b>

\* Renovation works with net book value of RM5,535,000 (2003: RM7,485,000) are financed under finance lease.

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 12 DEFERRED TAXATION

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets/(liabilities)	General provision RM'000	Interest-in-suspense/ income-in-suspense RM'000	Excess of capital allowance over depreciation RM'000	Other temporary differences RM'000	Total RM'000
<b>The Group</b>					
<b>2005</b>					
As at beginning of the year	102,745	39,021	(15,317)	16,197	142,646
Credited/(charged) to income statement (Note 27)	12,861	(39,021)	(4,140)	2,858	(27,442)
As at end of the year	115,606	-	(19,457)	19,055	115,204
<b>2004</b>					
As at beginning of the year	102,400	38,050	(14,516)	6,137	132,071
Credited/(charged) to income statement (Note 27)	345	971	(801)	10,060	10,575
As at end of the year	102,745	39,021	(15,317)	16,197	142,646
<b>The Bank</b>					
<b>2005</b>					
As at beginning of the year	69,485	23,248	(9,984)	11,051	93,800
Amount transferred from HLF	32,795	-	(5,333)	7,106	34,568
Credited/(charged) to income statement (Note 27)	13,309	(23,248)	(4,140)	915	(13,164)
As at end of the year	115,589	-	(19,457)	19,072	115,204
<b>2004</b>					
As at beginning of the year	59,502	30,557	(9,374)	1,718	82,403
Credited/(charged) to income statement (Note 27)	9,983	(7,309)	(610)	9,333	11,397
As at end of the year	69,485	23,248	(9,984)	11,051	93,800

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 13 DEPOSITS FROM CUSTOMERS

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Fixed deposits	<b>28,855,935</b>	26,984,619	<b>28,918,328</b>	16,704,030
Negotiable instruments of deposit	<b>1,095,999</b>	1,410,000	<b>1,095,999</b>	930,000
	<b>29,951,934</b>	28,394,619	<b>30,014,327</b>	17,634,030
Demand deposits	<b>3,717,928</b>	3,597,409	<b>3,729,735</b>	3,603,778
Savings deposits	<b>6,100,599</b>	5,682,842	<b>6,100,599</b>	4,758,023
Others	<b>146,029</b>	127,388	<b>146,029</b>	127,388
	<b>39,916,490</b>	37,802,258	<b>39,990,690</b>	26,123,219

(i) The maturity structure of fixed deposits and negotiable instruments of deposit are as follows:

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Due within:				
- six months	<b>23,119,828</b>	22,176,423	<b>23,182,221</b>	13,857,178
- six months to one year	<b>6,758,252</b>	6,120,521	<b>6,758,252</b>	3,739,262
- one year to three years	<b>73,854</b>	96,401	<b>73,854</b>	37,590
- three years to five years	-	1,274	-	-
	<b>29,951,934</b>	28,394,619	<b>30,014,327</b>	17,634,030

(ii) The deposits are sourced from the following customers:

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Business enterprises	<b>13,134,041</b>	11,498,193	<b>13,208,241</b>	8,791,178
Individuals	<b>25,241,952</b>	23,611,911	<b>25,241,952</b>	16,014,964
Others	<b>1,540,497</b>	2,692,154	<b>1,540,497</b>	1,317,077
	<b>39,916,490</b>	37,802,258	<b>39,990,690</b>	26,123,219



# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 14 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Licensed banks	2,066,162	1,323,369	2,066,162	1,203,369
Licensed finance companies	-	-	-	434,100
Other financial institutions	-	128,150	-	20,000
	<b>2,066,162</b>	<b>1,451,519</b>	<b>2,066,162</b>	<b>1,657,469</b>

## 15 FLOATING RATE CERTIFICATES OF DEPOSIT DUE 2006

	The Group and The Bank	
	2005 RM'000	2004 RM'000
Floating rate certificates of deposit - USD110 million	417,916	-

The USD110 million Floating Rate Certificates of Deposit issued by the Bank carry floating interest rates calculated with a spread based on London Interbank Offered Rate ("LIBOR"). It will mature on 20 March 2006.

## 16 OTHER LIABILITIES

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Zakat	27	27	27	20
Post employment benefits obligation - defined contribution plan	3,609	2,863	3,609	2,655
Interest payable	301,060	198,162	301,060	116,688
Loan advance payment	88,763	37,949	88,763	30,327
Amount due to subsidiary companies	-	-	34,347	3,697
Others	301,719	229,643	285,140	167,887
	<b>695,178</b>	<b>468,644</b>	<b>712,946</b>	<b>321,274</b>

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 17 SHARE CAPITAL

	The Group and The Bank	
	2005	2004
	RM'000	RM'000
<b>Authorised:</b>		
3,000,000,000 shares of RM1.00 each	3,000,000	3,000,000
<b>Issued and fully paid:</b>		
<b>Ordinary shares of RM1.00 each</b>		
As at beginning of the year	1,580,107	1,434,951
Special issue to Bumiputra investors	-	143,475
Issued upon exercise of share options	-	1,681
As at end of the year	1,580,107	1,580,107

The main features and details of the ESOS are disclosed in Note 42.

## 18 RESERVES

	The Group		The Bank	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
<b>Distributable</b>				
Retained profit	1,040,133	628,305	1,040,103	482,566
<b>Non-distributable</b>				
Share premium	539,664	539,664	539,664	539,664
Statutory reserve	1,479,216	1,716,919	1,479,216	1,202,767
Merger deficit	-	(73,800)	-	-
Exchange fluctuation reserve	36,153	34,303	36,153	34,303
	2,055,033	2,217,086	2,055,033	1,776,734
	3,095,166	2,845,391	3,095,136	2,259,300

The statutory reserve is maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and is not distributable as cash dividend.

The Bank has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt account to frank the payment of dividends out of all its retained profit as at 30 June 2005.

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 19 TREASURY SHARES, AT COST

The shareholders of the Bank, via an ordinary resolution passed at the Extraordinary General Meeting held on 2 November 2004, approved the Bank's plan to purchase its own shares up to 10% of existing total issued and paid-up share capital. The Directors of the Bank are committed to enhance the value of the Bank to its shareholders and believe that the share buyback plan can be applied in the best interests of the Bank and its shareholders.

During the financial year, the Bank bought back 51,542,700 of its issued share capital, at an average price of RM5.31 per share, from the open market. The total consideration paid for the share buyback of its own shares, including transaction costs, was RM274,374,523 and was financed by internally generated funds. As at 30 June 2005, the total number of shares bought back was 51,542,700 which were held as treasury shares in accordance with the provisions of Section 67A of the Companies Act, 1965.

There was no resale or cancellation of treasury shares during the financial year. The adjusted number of issued and fully paid-up shares with voting rights as at 30 June 2005 after deducting treasury shares purchased is 1,528,564,334 shares. Treasury shares have no rights to vote, dividends and participation in other distribution.

## 20 INTEREST INCOME

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Loans and advances	1,494,462	1,551,260	1,438,759	916,105
Money at call and deposit placements with financial institutions	343,587	385,654	335,259	265,492
Securities purchased under resale agreements	120,816	-	120,816	-
Dealing securities	122,976	148,372	122,976	129,429
Investment securities	161,113	93,620	160,324	80,814
Others	33,363	33,974	33,234	7,977
	<b>2,276,317</b>	2,212,880	<b>2,211,368</b>	1,399,817
Accretion of discounts less amortisation of premium	(14,566)	(14,124)	(14,536)	(13,927)
Net interest suspended	(126,137)	(126,152)	(115,896)	(76,207)
	<b>(140,703)</b>	(140,276)	<b>(130,432)</b>	(90,134)
	<b>2,135,614</b>	2,072,604	<b>2,080,936</b>	1,309,683

## 21 INTEREST EXPENSE

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deposits and placements of banks and other financial institutions	225,554	113,700	225,203	92,845
Deposits from other customers	934,382	895,713	910,807	559,008
Others	2,308	8,410	1,111	737
	<b>1,162,244</b>	1,017,823	<b>1,137,121</b>	652,590

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 22 NON-INTEREST INCOME

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Fee income</b>				
Commissions	78,837	66,612	78,660	63,594
Service charges and fees	29,822	34,359	28,937	21,841
Guarantee fees	5,796	6,639	5,796	6,639
Credit card related fees	63,126	56,654	63,126	56,654
Corporate advisory fees	25,339	14,098	25,339	14,098
Commitment fees	11,712	11,025	11,685	11,080
Other fee income	31,276	20,035	31,273	17,495
	<b>245,908</b>	<b>209,422</b>	<b>244,816</b>	<b>191,401</b>
<b>Investment income</b>				
Net profit/(loss) from dealing securities and derivative financial instruments	2,922	(20,207)	2,922	(11,732)
Gain from sale of investment securities	54,147	5,291	52,559	5,145
Gross dividends from:				
- investment securities	4,553	3,791	3,568	465
- subsidiary companies	-	-	813,415	330,000
Provision for diminution in value of investment securities	(12,554)	(6,248)	(12,554)	(10,232)
Net gain from return of capital due to capital reduction exercise in HLF *	-	-	26,200	-
	<b>49,068</b>	<b>(17,373)</b>	<b>886,110</b>	<b>313,646</b>
<b>Other income</b>				
Foreign exchange gain/(loss):				
- realised	17,384	27,286	17,384	27,286
- unrealised	17,763	171	17,763	171
Rental income	103	152	100	123
Gain on disposal of fixed assets	2,361	3,815	2,361	393
Other non-operating income	6,964	6,603	5,893	3,856
	<b>44,575</b>	<b>38,027</b>	<b>43,501</b>	<b>31,829</b>
	<b>339,551</b>	<b>230,076</b>	<b>1,174,427</b>	<b>536,876</b>

\*After the assets and liabilities of HLF were transferred to the Bank as disclosed in Note 37(a) to the financial statements, a capital reduction exercise was performed at HLF. The share capital was reduced to RM2 and the balance of capital was returned to the Bank. The gain has arisen due to the capital returned being in excess of the cost of investment as recorded in the Bank's financial statements.

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 23 OVERHEAD EXPENSES

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Personnel costs	<b>291,623</b>	261,057	<b>288,883</b>	223,608
Establishment costs	<b>138,615</b>	121,080	<b>138,412</b>	102,230
Marketing expenses	<b>63,342</b>	34,304	<b>61,922</b>	24,896
Administration and general expenses	<b>82,115</b>	81,622	<b>80,868</b>	70,674
	<b>575,695</b>	498,063	<b>570,085</b>	421,408

The above expenditure includes the following statutory disclosures:

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Directors' remuneration (Note 26)	<b>2,931</b>	3,421	<b>2,872</b>	3,166
Rental of premises	<b>35,938</b>	30,362	<b>35,730</b>	26,106
Hire of equipment	<b>4,512</b>	3,875	<b>4,500</b>	3,875
Interest on finance lease	-	-	<b>17</b>	177
Auditors' remuneration:				
- statutory audit (Malaysian firm)	<b>318</b>	233	<b>310</b>	225
- statutory audit (PwC overseas affiliated firms)	<b>118</b>	116	<b>104</b>	102
- other fees	<b>601</b>	38	<b>600</b>	37
- other audit firm's fees	<b>22</b>	106	-	-
Depreciation of fixed assets	<b>51,582</b>	43,360	<b>50,588</b>	32,390
Loss on disposal of fixed assets	<b>950</b>	2,569	<b>950</b>	606
Fixed assets written off	<b>102</b>	1,977	<b>102</b>	40
Dealers' handling fees	<b>14,089</b>	8,208	<b>12,756</b>	-
The composition of personnel costs are as follows:				
Wages, salaries and bonuses	<b>237,527</b>	212,307	<b>235,211</b>	180,537
Contribution to defined contribution plan	<b>31,024</b>	29,017	<b>30,726</b>	23,748
Other staff related costs	<b>23,072</b>	19,733	<b>22,946</b>	19,323
	<b>291,623</b>	261,057	<b>288,883</b>	223,608
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
Number of employees at year end	<b>5,272</b>	5,281	<b>5,272</b>	4,538

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 24 LOAN AND FINANCING LOSS AND PROVISION

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Provision for bad and doubtful debts and financing:				
- specific provision (net)	202,898	405,057	203,044	280,319
- general provision (net)	45,697	864	47,311	35,452
	248,595	405,921	250,355	315,771
Bad debts and financing:				
- written off	9,008	4,343	5,618	441
- recovered	(91,497)	(51,183)	(90,539)	(40,336)
	(82,489)	(46,840)	(84,921)	(39,895)
Provision on amounts recoverable from Danaharta	-	8,356	-	4,174
	166,106	367,437	165,434	280,050

The policy of the Group is in general more stringent than those laid down by BNM's revised guidelines on the default period and provision requirements.

## 25 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

### (a) Related parties and relationships

The related parties of and their relationships with the Bank are as follows:

Related parties	Relationship
Hong Leong Company (Malaysia) Berhad	Ultimate holding company
Hong Leong Management School Sdn Bhd, Hong Leong Share Registration Services Sdn Bhd, HLCM Capital Sdn Bhd, Hong Leong Fund Management Sdn Bhd, HL Management Co Sdn Bhd and Hong Leong Consultancy Services Sdn Bhd	Subsidiary companies of ultimate holding company
Hong Leong Credit Berhad	Holding company
Subsidiary companies of Hong Leong Credit Berhad as disclosed in its financial statements	Subsidiary companies of holding company
Hong Leong Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
Hume Industries (Malaysia) Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
Guoco Group Limited and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 25 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

### (a) Related parties and relationships (continued)

Related parties	Relationship
GuocoLand (Malaysia) Berhad and its subsidiary and associated companies as disclosed in its financial statements	Associated companies of ultimate holding company
O.Y.L. Industries Bhd and its subsidiary and associated companies as disclosed in its financial statements	Associated companies of ultimate holding company
Subsidiary companies of the Bank as disclosed in Note 10	Subsidiary companies of the Bank
Rajang Plaza Sdn Bhd, Zenith Mint Enterprise Sdn Bhd, Chew H Hua Realty Sdn Bhd, Geok Kheng Holdings Sdn Bhd and Zenith Mint Cinema Sdn Bhd	Connected persons to Mr Chew Peng Cheng, Non-Executive Director
BIB Insurance Brokers Sdn Bhd	Connected person to Tan Sri Dato' Zaki bin Tun Azmi, a director of certain related companies

### (b) Related party transactions and balances

A number of banking transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and at market rates.

	Parent company RM'000	Subsidiary companies RM'000	Other related companies RM'000
<b>2005</b>			
<b>Income</b>			
Interest:			
- loans	-	239	-
- private debt securities	-	-	4,361
- interbank placement	-	146	-
Commitment fee and rental income	-	65	-
Commission on Group products/services sold	-	-	8,682
	-	450	13,043
<b>Expenditure</b>			
Rental and maintenance	-	1,224	11,771
Insurance	-	-	5,668
Interest on deposits	671	576	723
Interest on repurchase agreement	-	-	6,830
Interest on interbank borrowing	-	611	-
Lease interest	-	17	-
Management fees	-	-	7,062
Other miscellaneous expenses	60	-	2,616
	731	2,428	34,670

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 25 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

### (b) Related party transactions and balances (continued)

	Parent company RM'000	Subsidiary companies RM'000	Other related companies RM'000
<b>Amounts due from:</b>			
Overdraft	-	2,987	-
Private debt securities	-	-	53,398
Loan stocks and shares	-	-	3,805
Others	-	446	67
	-	3,433	57,270
<b>Amounts due to:</b>			
Current account and fixed deposits	878	74,196	365,594
Repurchase agreements	-	-	96,179
Merger of HLF's business	-	30,493	-
Others	-	3,854	-
	878	108,543	461,773
<b>2004</b>			
<b>Income</b>			
Interest:			
- loans	-	250	-
- private debt securities	-	-	4,504
- interbank placement	-	3,369	-
Commitment fee and rental income	-	64	-
Commission on Group products/services sold	-	-	11,690
	-	3,683	16,194
<b>Expenditure</b>			
Rental and maintenance	-	1,240	10,819
Insurance	-	-	3,906
Interest on deposits	-	300	1,657
Interest on repurchase agreement	1,226	-	13,430
Interest on interbank borrowing	-	3,084	-
Lease interest	-	178	-
Placement fee on share issue	-	-	4,000
Management fees	-	-	3,312
Other miscellaneous expenses	203	-	3,357
	1,429	4,802	40,481



# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 25 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

### (b) Related party transactions and balances (continued)

	Parent company RM'000	Subsidiary companies RM'000	Other related companies RM'000
<b>Amounts due from:</b>			
Overdraft	-	3,686	-
Interbank placement	-	150,000	-
Private debt securities	-	-	58,238
Others	-	95	-
	-	153,781	58,238
<b>Amounts due to:</b>			
Current account and fixed deposits	8,498	18,216	535,552
Leasing facility	-	728	-
Repurchase agreements	-	-	537,287
Interbank borrowing	-	434,100	-
Others	-	3,697	4
	8,498	456,741	1,072,843
<b>Foreign exchange related contracts (notional amount)</b>			
Forward contracts	-	-	3,163
<b>Interest rate related contracts (notional amount)</b>			
Interest rate swaps	-	580,000	-

Transactions with other related parties are aggregated because these transactions are similar in nature and no single transaction with these parties is significant enough to warrant separate disclosure

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 26 DIRECTORS' REMUNERATION

Forms of remuneration in aggregate for all Directors for the year are as follows:

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Executive Directors:				
- salary and other remuneration	1,383	1,981	1,383	1,868
- bonuses	659	560	659	560
- contribution to defined contribution plan	233	255	233	255
- benefits-in-kind	57	54	57	54
Non-Executive Directors:				
- fees	599	571	540	429
	<b>2,931</b>	<b>3,421</b>	<b>2,872</b>	<b>3,166</b>

The remuneration attributable to the Group Managing Director of the Group and Bank, including benefits-in-kind during the year amounted to RM1,660,000 (2004: RM1,101,000). The salary and other remuneration of the Executive Directors in 2004 included the remuneration of the previous group managing director up to his retirement date.

The movement and details of the Directors of the Bank in office, interests in shares and share options, and terms and conditions of the share options are reported in the Directors' Report.

## 27 TAXATION AND ZAKAT

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Malaysian income tax	215,459	141,919	434,894	154,207
(Over)/under provision in prior years	(40,502)	15,397	(23,841)	2,204
Transfer from/(to) deferred taxation				
- current year	(11,579)	6,433	(10,084)	(11,397)
- (over)/under provision in prior years	39,021	(17,008)	23,248	-
	<b>27,442</b>	<b>(10,575)</b>	<b>13,164</b>	<b>(11,397)</b>
Taxation	202,399	146,741	424,217	145,014
Zakat	45	20	45	20
	<b>202,444</b>	<b>146,761</b>	<b>424,262</b>	<b>145,034</b>

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 27 TAXATION AND ZAKAT (continued)

The effective tax rate for the Group and Bank differed from the statutory rate of taxation due to:

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Profit before taxation and zakat	<b>722,178</b>	528,721	<b>1,530,057</b>	514,349
Tax calculated at a rate of 28%	<b>202,210</b>	148,042	<b>428,416</b>	144,018
Tax effects of:				
- income not subject to tax	<b>(540)</b>	(1,582)	<b>(8,135)</b>	(1,312)
- expenses not deductible for tax purposes	<b>568</b>	791	<b>515</b>	104
- current year tax losses not recognised	-	1,300	-	-
- previously unrecognised tax losses	<b>(2,018)</b>	-	-	-
- previously unrecognised capital allowances	<b>(331)</b>	(199)	-	-
(Over)/under provision (net of deferred tax effects)	<b>2,510</b>	(1,611)	<b>3,421</b>	2,204
Taxation	<b>202,399</b>	146,741	<b>424,217</b>	145,014

	The Group	
	2005 RM'000	2004 RM'000
<b>Tax losses</b>		
Unutilised tax losses for which the related tax credit has not been recognised in the financial statements	<b>29,406</b>	36,591
<b>Capital allowances</b>		
Unutilised capital allowances for which the related tax credit has not been recognised in the financial statements	<b>43,819</b>	48,027

The unabsorbed tax losses of the Group have not been recognised as future realisation is uncertain.

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 28 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 in issue during the year, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares.

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Profit after taxation and zakat	519,734	381,960	1,105,795	369,315
Weighted average number of ordinary shares in issue ('000)	1,563,729	1,560,520	1,563,729	1,560,520
Basic earnings per share (sen)	33.2	24.5	70.7	23.7

### (b) Fully diluted earnings per share

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. Prior to the financial year ended 30 June 2004, the Bank has one category of dilutive potential ordinary shares: ESOS granted to certain executives. A calculation is done to determine the number of shares that could have been acquired at market price (determined as the average annual share price of the Bank's shares) based on the monetary value of the subscriptions rights attached to outstanding share options. This calculation serves to determine the 'unpurchased' shares to be added to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to the profit after taxation and zakat. Since 1 July 2004, the ESOS is no longer dilutive in nature given the ESOS Trust arrangement as described in Note 42.

## 29 DIVIDENDS

	The Group and The Bank	
	2005 RM'000	2004 RM'000
Final dividend paid of 15.5% (2004: 18%) less income tax at 28% and nil special tax exempt dividend paid (2004: 11%)	176,340	344,217
Interim dividend paid of 8.5% (2004: 8.5%) less income tax at 28%	95,469	96,703
	<b>271,809</b>	<b>440,920</b>

A final dividend in respect of the financial year ended 30 June 2005 of 15.5 sen per share less tax at 28% (2004: 15.5 sen per share less tax at 28%) will be proposed for shareholders' approval at the forthcoming Annual General Meeting. Based on the Bank's adjusted issued and paid-up share capital (excluding 51,542,700 treasury shares) of 1,528,564,334 as at 30 June 2005, the dividend would amount to RM170,587,780 (2004: RM176,339,945). The proposed dividend will be reflected in the financial statements of the next financial year ending 30 June 2006 when approved by shareholders.

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 30 CLOSING FOREIGN EXCHANGE RATES

Closing foreign exchange rates used by the Bank are as follows:

	The Bank	
	2005 RM'000	2004 RM'000
Euro	4.5870	4.6005
Singapore Dollar ("SGD")	2.2556	2.2093
U.S. Dollar ("USD")	3.8000	3.8000
Hong Kong Dollar ("HKD")	0.4889	0.4872

## 31 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. These commitments and contingencies are also not secured over the assets of the Group.

The commitments and contingencies constitute the following:

	The Group			
	2005 Principal RM'000	2005 Credit equivalent RM'000	2004 Principal RM'000	2004 Credit equivalent RM'000
Direct credit substitutes	161,538	161,538	156,131	156,131
Certain transaction-related contingent items	308,963	154,482	433,562	216,781
Short-term self-liquidating trade-related contingencies	469,936	93,987	482,815	96,563
Obligations under underwriting agreement	-	-	62,214	31,107
Irrevocable commitment to extend credit:				
- maturity more than one year	4,122,753	2,061,377	3,856,852	1,928,426
- maturity less than one year	9,181,257	-	8,409,576	-
Foreign exchange related contracts:				
- less than one year	7,639,221	158,934	4,659,469	63,814
Interest rate related contracts:				
- less than one year	5,442,895	1,735	775,000	1,933
- one year to less than five years	10,946,152	72,559	1,308,591	31,864
Equity related contracts:				
- less than one year	106,922	1,604	55,335	415
Miscellaneous	694	-	556	-
	<b>38,380,331</b>	<b>2,706,216</b>	20,200,101	2,527,034

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 31 COMMITMENTS AND CONTINGENCIES (continued)

	The Bank			
	2005 Principal RM'000	2005 Credit equivalent RM'000	2004 Principal RM'000	2004 Credit equivalent RM'000
Direct credit substitutes	161,538	161,538	155,369	155,369
Certain transaction-related contingent items	308,963	154,482	433,562	216,781
Short-term self-liquidating trade-related contingencies	465,938	93,188	476,949	95,390
Obligations under underwriting agreement	-	-	62,214	31,107
Irrevocable commitment to extend credit:				
- maturity more than one year	4,122,753	2,061,377	3,365,884	1,682,942
- maturity less than one year	9,181,257	-	7,854,821	-
Foreign exchange related contracts:				
- less than one year	7,639,221	158,934	4,659,469	63,814
Interest rate related contracts:				
- less than one year	5,442,895	1,735	835,000	5,897
- one year to less than five years	10,946,152	72,559	1,508,591	38,636
Equity related contracts:				
- less than one year	106,922	1,604	55,335	415
Miscellaneous	694	-	556	-
	<b>38,376,333</b>	<b>2,705,417</b>	19,407,750	2,290,351

The foreign exchange and interest rate related contracts are made up as follows:

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Foreign exchange related contracts:				
- forward contracts	6,899,613	4,659,469	6,899,613	4,659,469
- options	739,608	-	739,608	-
Interest rate related contracts:				
- futures contracts	12,867,000	-	12,867,000	-
- interest rate swaps	3,522,047	2,083,591	3,522,047	2,343,591
Equity related contracts:				
- options	106,922	55,335	106,922	55,335

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 31 COMMITMENTS AND CONTINGENCIES (continued)

Foreign exchange and interest rate 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 amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off balance sheet positions. As at 30 June 2005, the notional amount of contracts which were not hedged and hence, exposed to foreign exchange and interest rate market risk were RM552,922,000 (2004: RM228,765,000) and RM4,592,978,000 (2004: RM1,533,591,000) respectively.

### Credit risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Bank has a gain position. As at 30 June 2005, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM69,528,000 (2004: RM10,689,000). The amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

## 32 CAPITAL COMMITMENTS

Capital expenditure approved by Directors but not provided for in the financial statements are as follows:

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Authorised and contracted for	29,115	6,473	29,115	6,436
Authorised but not contracted for	15,859	4,670	15,859	4,670
	44,974	11,143	44,974	11,106

The capital commitments are attributed to fixed assets.

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 33 LEASE COMMITMENTS

The Bank has lease commitments in respect of rented premises and hired equipment, all of which are classified as operating leases. A summary of the future minimum lease payments, net of sublease, under non-cancellable operating lease commitment are as follows:

Year	2005 RM'000	2004 RM'000
Not later than one year	3,800	2,522
Later than one year and not later than five years	8,152	5,558
Later than five years	22	81

The Bank's finance lease with Hong Leong Leasing Sdn Bhd to finance renovation works of branches expired during the financial year:

	2005 RM'000	2004 RM'000
Minimum lease payments:		
- not later than one year	-	745
- later than one year and not later than five years	-	-
Future finance charges on finance leases	-	745 (17)
Present value of finance lease liabilities	-	728
Present value of finance lease liabilities:		
- not later than one year	-	728
- later than one year and not later than five years	-	-
	-	728

## 34 HOLDING AND ULTIMATE HOLDING COMPANIES

The holding and ultimate holding companies are Hong Leong Credit Berhad and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.



# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 35 CAPITAL ADEQUACY

(i) The capital adequacy ratios of the Group and the Bank are as follows:

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Tier-1 capital	4,285,694	4,282,852	4,285,664	3,745,607
Tier-2 capital	412,877	366,955	412,817	248,162
Total capital	4,698,571	4,649,807	4,698,481	3,993,769
Less: Investment in subsidiary companies	-	-	(72,041)	(395,841)
Capital base	4,698,571	4,649,807	4,626,440	3,597,928
<b>Capital ratios</b>				
Core capital ratio	15.85%	17.49%	15.87%	21.02%
Risk-weighted capital ratio	17.38%	18.99%	17.13%	21.02%

(ii) Components of Tier-1 and Tier-2 capital are as follows:

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<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
Other reserves	2,555,502	2,305,727	2,555,472	1,719,636
Treasury shares	(274,375)	-	(274,375)	-
Less: Deferred tax assets	(115,204)	(142,646)	(115,204)	(93,800)
Total tier-1 capital	4,285,694	4,282,852	4,285,664	3,745,607
<b>Tier-2 capital</b>				
General provision for bad and doubtful debts	412,877	366,955	412,817	248,162
Total tier-2 capital	412,877	366,955	412,817	248,162
Total capital	4,698,571	4,649,807	4,698,481	3,993,769
Less: Investment in subsidiary companies	-	-	(72,041)	(395,841)
Total capital base	4,698,571	4,649,807	4,626,440	3,597,928

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 35 CAPITAL ADEQUACY (continued)

### (iii) Breakdown of risk-weighted assets in the various categories of risk-weights:

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
0%	25,139,986	18,649,812	25,139,986	14,504,330
10%	1,396,730	1,566,413	1,396,730	1,547,960
20%	3,485,877	4,394,468	3,485,877	3,576,158
50%	8,386,694	6,788,109	8,386,694	5,416,541
100%	21,804,703	20,061,276	21,783,955	13,534,663
	<b>60,213,990</b>	51,460,078	<b>60,193,242</b>	38,579,652
Total risk-weighted assets:				
- credit risk	26,834,898	24,490,865	26,814,150	17,112,961
- Market Risk Capital Adequacy Framework #	196,242	-	196,242	-
Total risk-weighted assets	<b>27,031,140</b>	24,490,865	<b>27,010,392</b>	17,112,961

# The capital adequacy ratios have incorporated market risk pursuant to BNM's guideline on Market Risk Capital Adequacy Framework which is effective from 1 April 2005.

The components of the capital base and risk-weighted assets of the Group above comprise the consolidated balances of the Bank and its subsidiary companies.

## 36 SEGMENT REPORTING

### (i) Primary reporting - business segments

The Group comprises of the following main business segments:

Personal Financial Services focuses mainly on servicing individual customers and small businesses. Products and services that are extended to customers include mortgages, credit cards, hire purchase and others.

Business Banking mainly focuses on corporate customers. Products offered include trade financing, working capital facilities and other term financing.

Treasury refers to the Group's treasury and capital market operations and includes foreign exchange, money market operations as well as capital market securities trading and investments.

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 36 SEGMENT REPORTING (continued)

### (i) Primary reporting - business segments (continued)

The Group	Personal Financial Services RM'000	Business Banking RM'000	Treasury RM'000	Total RM'000
<b>2005</b>				
Revenue				
- external	478,683	330,465	654,831	1,463,979
- inter-segment	561,369	(93,014)	(468,355)	-
	1,040,052	237,451	186,476	1,463,979
Segment profit before taxation and zakat	444,781	150,352	127,045	722,178
Taxation and zakat				(202,444)
Profit after taxation and zakat				519,734
Segment assets	19,276,787	6,509,949	30,267,284	56,054,020
Unallocated assets				1,569,635
<b>Total assets</b>				<b>57,623,655</b>
Segment liabilities	36,726,322	3,070,823	13,204,654	53,001,799
Unallocated liabilities				220,958
<b>Total liabilities</b>				<b>53,222,757</b>
<b>Other significant segment items</b>				
Capital expenditure	46,235	11,147	8,555	65,937
Depreciation	38,349	7,587	5,646	51,582
Net interest/income suspended	64,260	66,943	-	131,203
Loan and financing loss and provision	141,687	24,419	-	166,106

Inter segment transfer is based on internally computed cost of funds.

The Group	Personal Financial Services RM'000	Business Banking RM'000	Treasury RM'000	Total RM'000
<b>2004</b>				
Revenue				
- external	518,650	339,902	535,669	1,394,221
- inter-segment	593,572	(137,597)	(455,975)	-
	1,112,222	202,305	79,694	1,394,221
Segment profit before taxation and zakat	555,112	(81,474)	55,083	528,721
Taxation and zakat				(146,761)
Profit after taxation and zakat				381,960

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 36 SEGMENT REPORTING (continued)

### (i) Primary reporting - business segments (continued)

The Group	Personal Financial Services RM'000	Business Banking RM'000	Treasury RM'000	Total RM'000
Segment assets	16,536,040	6,680,203	23,887,910	47,104,153
Unallocated assets				1,956,252
<b>Total assets</b>				<b>49,060,405</b>
Segment liabilities	34,464,076	3,364,204	6,466,860	44,295,140
Unallocated liabilities				339,767
<b>Total liabilities</b>				<b>44,634,907</b>
<b>Other significant segment items</b>				
Capital expenditure	56,632	4,118	2,650	63,400
Depreciation	38,530	3,116	1,714	43,360
Net interest/income suspended	51,699	80,708	-	132,407
Loan and financing loss and provision	141,405	226,032	-	367,437

### (ii) Secondary reporting - geographic segments

The Group operates in two main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the primary business segments
- Overseas operations, which includes branch and subsidiary operations in Singapore and Hong Kong. The overseas operations are mainly in commercial banking business. The overseas operations contributed less than 10% of the revenue and total assets of the Group.

The Group	Revenue RM'000	Total assets RM'000
<b>2005</b>		
Malaysia	1,377,819	55,727,094
Overseas operations	86,068	1,896,561
	<b>1,463,887</b>	<b>57,623,655</b>

The Group	Revenue RM'000	Total assets RM'000
<b>2004</b>		
Malaysia	1,336,729	47,025,297
Overseas operations	57,492	2,035,108
	<b>1,394,221</b>	<b>49,060,405</b>

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 37 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 1 August 2004, the Bank has effected its merger with its subsidiary company, Hong Leong Finance Berhad (“HLF”) via a transfer of finance company business excluding the leasing business to the Bank. The leasing business of HLF was transferred to Hong Leong Leasing Sdn Bhd on the same day. The scheme of merger was carried out after obtaining Bank Negara Malaysia’s (“BNM”) approval and Vesting Orders from the High Court of Malaya on 16 July 2004 and 27 July 2004 respectively.
- (b) The member’s voluntary winding-up of Visia Nominees Sdn Bhd, an indirect wholly-owned subsidiary of the Bank, has been completed on 20 November 2004.
- (c) Pursuant to Section 29 of the Banking and Financial Institutions Act, 1989, the Bank had, on 28 March 2005, incorporated Hong Leong Islamic Bank Berhad (“HLIBB”), a wholly-owned subsidiary of the Bank for the purpose of undertaking the Islamic Banking business pursuant to Subsection 3(4) of the Islamic Banking Act, 1983.

The Bank had, on 28 June 2005, announced that the Minister of Finance had granted an Islamic Banking licence to HLIBB 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 the Bank to HLIBB. Effective 1 July 2005, the Bank has conducted its Islamic Banking business through HLIBB.

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

## 38 SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

- (a) 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 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.

- (b) 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 (“Proposed Disposal”). The Proposed Disposal was completed on 25 August 2005.

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 39 RISK MANAGEMENT OBJECTIVES AND POLICIES

### Integrated Risk Management (“IRM”)

Managing risks is an integral part of the Bank’s overall business strategy, as risks, if left unchecked against a backdrop of rapidly changing financial landscape and increased uncertainty, can translate into costs for the business. Recognising the need to be proactive in the management of risks, the Bank has implemented an Integrated Risk Management (“IRM”) framework.

At the apex of the IRM framework, the Board of Directors has the overall responsibility to ensure there is proper oversight of the management of risks in the Bank. The Board of Directors set the risk appetite and tolerance level that is consistent with the Bank’s overall business objectives and desired risk profile. A number of committees and dedicated risk management functions have been established to manage specific areas of risk and implement various risk management policies and procedures.

Giving due prominence to risk management, a Board Audit & Risk Management Committee (“BARMC”) comprising three members of the Independent/Non-executive Directors has been set up to oversee and ensure that risk management at all levels is being managed effectively. They, in turn, report all the risk management activities to the Board of Directors. To assist the BARMC, the Integrated Risk Management Department (“IRM Department”) has been established to provide independent oversight on the adequacy, effectiveness and integrity of risk management practices at all levels within the Bank. The IRM Department has adopted a risk-based approach to consolidate principal risk areas across the Bank and provide a comprehensive profile of such risks so as to enable the Bank to minimise the risk through review and appropriate policies and control.

### Credit Risk Management

Credit risk is risk of financial loss due to a borrower or counterparty being unable or unwilling to deliver on its payment obligations to the Bank, which leads to a loss of revenue and the principal sum. It arises principally from lending, trade finance and treasury activities. Credit risk management forms a key component of the Bank’s integrated risk management structure. The Bank’s integrated risk management structure is founded upon a credit risk framework that is compliant with BNM’s guidelines on “Best Practices for the Management of Credit Risk”.

The Bank gives very strong priority to effective credit risk management. Credit evaluation is managed by experienced personnel, with high level review undertaken by the Management Credit Committee, under the supervision of the Board Credit Supervisory Committee. All credit policies are reviewed and approved by the Board Credit Supervisory Committee.

The key to credit risk management is to ensure that structures and processes are in place to maintain and continuously enhance the Bank’s risk assessment capabilities in key areas of credit. These include sound credit policies and procedures, quality credit approvals, appropriate risk measurement and risk methodology, strong credit controls with independent reviews and effective recovery strategies. The Bank’s credit risk management process is documented in the Credit Manual. The Credit Manual sets out the Bank’s policies on lending guidelines, lending authorities, credit risk rating, credit reviews, collateral, credit administration and security documentation, and timely rehabilitation and restructuring of problematic and delinquent accounts.

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 39 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Credit Risk Management (continued)

The management of credit risk commences at the application stage whereby there is a stringent evaluation process, based on prudent lending policies. To enhance credit risk management, the Bank has in place a credit risk rating system for commercial borrowers. As for the retail segment, the Bank has implemented a credit scoring system in credit cards to improve the Bank's ability to control credit losses within predictive ranges and achieve a well-balanced portfolio. The Bank also conducts stress tests to ensure its asset quality is within acceptable levels even under stress scenarios.

Internal Audit also conducts independent post approval reviews on sampling basis to ensure that quality of credit appraisals and approval standards are in accordance with the credit standards and the lending policies and directives established and approved by the Bank's management.

### Market Risk Management

Market risk is the risk of financial loss arising from exposure to adverse changes in values of financial instruments caused by changes in market prices or rates, which include changes to interest rates.

The Bank adopts a systematic approach in managing such risks by types of instruments and nature of exposure. Market risk is primarily controlled via a series of cut-loss limits and potential loss limits, i.e. "Value at Risk" ("VaR"), set in accordance with the size of positions and risk tolerance appetites:

- Portfolios held under the Bank's trading books are tracked using daily mark-to-market positions, which are compared against preset limits. The daily tracking of positions is supplemented by sensitivity analysis and stress tests, using VaR and other measurements.
- Foreign exchange risks arising from adverse exchange rate movements, is managed by the setting of preset limits, matching of open positions against these preset limits and imposition of cut-loss mechanisms.
- Interest rate risk exposure is also identified, measured and controlled through limits and procedures, which includes regularly reviewing the interest rate outlook and developing strategies to protect total net interest income from changes in market interest rates.

In addition, the Bank also conducts periodic stress testing of its respective portfolios to ascertain market risk under abnormal market conditions.

### Liquidity Risk Management

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet obligations as they fall due. Financial obligations arise from the withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the Bank's policy to ensure there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

As a safeguard against liquidity risk, the Bank takes a multi-pronged approach towards managing this risk, beginning with a liquidity management system, adopting BNM's Liquidity Framework as the backbone. The Liquidity Framework ascertains the liquidity condition based on contractual and behavioural cash-flow of assets, liabilities and off-balance sheet commitments, taking into consideration the realisable cash value of liquefiable assets. The Bank has been in compliance with the New Liquidity Framework throughout the financial year.

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 39 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity Risk Management (continued)

This is supplemented by the Bank's own internal liquidity management policies, which includes cash flow management, maintenance of high quality long-term and short-term marketable debt securities and diversification of funding base. The Bank has in place liquidity contingency funding plans to minimise the liquidity risk that may arise due to unforeseen adverse changes in the marketplace.

### Operational Risk Management

The Bank adopts the Basel II's Operational Risk Management definition as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events" which also includes IT and legal risks. As such, operational risk is inherent in each of the Bank's business and operational activities. Such risks may result in breakdowns, errors and can potentially result in financial loss or other losses to the Bank. The primary responsibility of managing such risks rests with the respective operating department/unit.

The Bank takes a proactive stance on identifying and profiling principal potential operational risks and implementing relevant risk mitigation and contingency procedures.

One of the Bank's primary safeguards against operational risks is the existence of a sound internal control system, based on the principle of dual control, checks and balances, segregation of duties, independent checks and verification processes, segmented system access control and multi-tier internal transaction authorisation process. The controls are documented through a set of policies and procedures at the individual business unit level.

The Bank has also set up an Operational Risk Council comprising members of the Bank's senior management to manage its operational risks. The Operational Risk Council intends to minimise bank wide operational risk losses and increase shareholder value in accordance with Basel II standards. Another key role of the Operational Risk Council is to promote awareness of operational risk management within the Bank and its customers.

The Bank has published an Operational Risk Management Awareness Handbook and disseminated across the Bank so as to enhance operational risk awareness among all the staff as well as to inculcate sound risk management as an integral part of planning and management process.

## 40 INTEREST RATE RISK AND CREDIT RISK DISCLOSURES

### A Interest rate risk

The tables below summarise the Group's and the Bank's exposure to interest rate risks. Included in the tables are the Group's and the Bank's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The off-balance sheet gap represents the net notional amounts of all interest rate sensitive derivative financial instruments. As interest rates and yield curves change over time the Group and the Bank may be exposed to loss in earnings due to the effects of interest rates on the structure of the balance sheets. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.



# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 40 INTEREST RATE RISK AND CREDIT RISK DISCLOSURES (continued)

### A Interest rate risk (continued)

	The Group 2005				
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 6 months RM'000	6 - 12 months RM'000	1 - 5 years RM'000
<b>Assets</b>					
Cash and short-term funds	9,168,164	-	-	-	-
Securities purchased under resale agreements	3,015,891	4,381,237	2,531,364	-	-
Deposits and placements with banks and other financial institutions	-	3,320,327	25,291	600	-
Dealing securities	852,546	1,007,601	112,702	66,258	248,073
Investment securities	77,484	253,125	97,562	78,685	2,461,006
Loans, advances and financing	15,325,308	1,471,063	704,479	1,479,898	3,207,566
Other assets	-	-	-	-	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-
Tax recoverable	-	-	-	-	-
Fixed assets	-	-	-	-	-
Deferred tax assets	-	-	-	-	-
<b>Total assets</b>	<b>28,439,393</b>	<b>10,433,353</b>	<b>3,471,398</b>	<b>1,625,441</b>	<b>5,916,645</b>

	Over 5 years RM'000	Non-interest sensitive RM'000	Islamic Banking RM'000	Total RM'000	Effective interest rate
					%
<b>Assets</b>					
Cash and short-term funds	-	495,164	1,461,250	11,124,578	2.8
Securities purchased under resale agreements	-	-	-	9,928,492	2.8
Deposits and placements with banks and other financial institutions	-	-	191,396	3,537,614	2.8
Dealing securities	36,732	8,443	300,339	2,632,694	3.1
Investment securities	14,694	6,764*	373,406	3,362,726	4.1
Loans, advances and financing	1,175,762	(1,183,808) <sup>^</sup>	3,402,467	25,582,735	6.5
Other assets	-	235,178	17,563	252,741	-
Statutory deposits with Bank Negara Malaysia	-	788,450	51,150	839,600	-
Tax recoverable	-	2,879	-	2,879	-
Fixed assets	-	244,287	105	244,392	-
Deferred tax assets	-	96,481	18,723	115,204	-
<b>Total assets</b>	<b>1,227,188</b>	<b>693,838</b>	<b>5,816,399</b>	<b>57,623,655</b>	

\* Provision for permanent diminution in value for investment securities is included under non-interest sensitive component.

<sup>^</sup> The negative balance represents specific provisions, interest-in-suspense and general provisions for loans and advances (excluding Islamic Banking).

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 40 INTEREST RATE RISK AND CREDIT RISK DISCLOSURES (continued)

### A Interest rate risk (continued)

	Up to 1 month RM'000	1 - 3 months RM'000	The Group 2005 3 - 6 months RM'000	6 - 12 months RM'000	1 - 5 years RM'000
<b>Liabilities</b>					
Deposits from customers	15,756,017	5,080,563	3,959,964	6,572,557	64,512
Deposits and placements of banks and other financial institutions	1,697,039	100,000	177,000	-	-
Obligations on securities sold under repurchase agreements	8,714,531	560,465	-	-	-
Floating rate certificates of deposit	-	-	-	417,916	-
Bills and acceptances payable	68,123	87,044	88,388	-	-
Other liabilities	-	-	-	-	-
Provision for taxation	-	-	-	-	-
<b>Total liabilities</b>	<b>26,235,710</b>	<b>5,828,072</b>	<b>4,225,352</b>	<b>6,990,473</b>	<b>64,512</b>
<b>On balance sheet - interest rate gap</b>	<b>2,203,683</b>	<b>4,605,281</b>	<b>(753,954)</b>	<b>(5,365,032)</b>	<b>5,852,133</b>
Interest rate swaps	240,000	(354,645)	(17,402)	28,895	85,750
Interest rate futures	-	(1,566,000)	(1,111,000)	(2,377,000)	(7,637,000)
<b>Off balance sheet - interest rate gap</b>	<b>240,000</b>	<b>(1,920,645)</b>	<b>(1,128,402)</b>	<b>(2,348,105)</b>	<b>(7,551,250)</b>
<b>Net interest rate gap</b>	<b>2,443,683</b>	<b>2,684,636</b>	<b>(1,882,356)</b>	<b>(7,713,137)</b>	<b>(1,699,117)</b>

	Over 5 years RM'000	Non-interest sensitive RM'000	Islamic Banking RM'000	Total RM'000	Effective interest rate %
<b>Liabilities</b>					
Deposits from customers	-	3,593,517	4,889,360	39,916,490	2.7
Deposits and placements of banks and other financial	-	373	91,750	2,066,162	2.6
Obligations on securities sold under repurchase agreements	-	-	246,600	9,521,596	2.6
Floating rate certificates of deposit	-	-	-	417,916	3.5
Bills and acceptances payable	-	324,778	562	568,895	3.1
Other liabilities	-	569,706	125,472	695,178	-
Provision for taxation	-	(1,853)	38,373	36,520	-
<b>Total liabilities</b>	<b>-</b>	<b>4,486,521</b>	<b>5,392,117</b>	<b>53,222,757</b>	
<b>On balance sheet - interest rate gap</b>	<b>1,227,188</b>				
Interest rate swaps	17,402				
Interest rate futures	-				
<b>Off balance sheet - interest rate gap</b>	<b>17,402</b>				
<b>Net interest rate gap</b>	<b>1,244,590</b>				

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 40 INTEREST RATE RISK AND CREDIT RISK DISCLOSURES (continued)

### A Interest rate risk (continued)

	Up to 1 month RM'000	1 - 3 months RM'000	The Group 2004 3 - 6 months RM'000	6 - 12 months RM'000	1 - 5 years RM'000
<b>Assets</b>					
Cash and short-term funds	12,453,104	-	-	-	-
Deposits and placements with banks and other financial institutions	-	2,801,767	182,713	600	-
Dealing securities	1,370,070	263,689	321,969	6,997	133,590
Investment securities	157,138	237,619	58,361	361,026	3,490,821
Loans, advances and financing	14,395,379	516,151	421,934	833,135	4,276,081
Other assets	-	-	-	-	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-
Tax recoverable	-	-	-	-	-
Fixed assets	-	-	-	-	-
Deferred tax assets	-	-	-	-	-
<b>Total assets</b>	<b>28,375,691</b>	<b>3,819,226</b>	<b>984,977</b>	<b>1,201,758</b>	<b>7,900,492</b>

	Over 5 years RM'000	Non-interest sensitive RM'000	Islamic Banking RM'000	Total RM'000	Effective interest rate %
<b>Assets</b>					
Cash and short-term funds	-	363,442	1,119,100	13,935,646	2.8
Deposits and placements with banks and other financial institutions	-	-	-	2,985,080	2.9
Dealing securities	14,995	20,305	239,893	2,371,508	3.1
Investment securities	20,077	53,441*	128,727	4,507,210	4.1
Loans, advances and financing	2,152,160	(1,789,473) <sup>^</sup>	2,164,828	22,970,195	7.7
Other assets	-	1,113,758	80,120	1,193,878	-
Statutory deposits with Bank Negara Malaysia	-	633,338	58,650	691,988	-
Tax recoverable	-	15,290	-	15,290	-
Fixed assets	-	246,804	160	246,964	-
Deferred tax assets	-	128,802	13,844	142,646	-
<b>Total assets</b>	<b>2,187,232</b>	<b>785,707</b>	<b>3,805,322</b>	<b>49,060,405</b>	

\* Provision for permanent diminution in value for investment securities is included under non-interest sensitive component.

<sup>^</sup> The negative balance represents specific provisions, interest-in-suspense and general provisions for loans and advances (excluding Islamic Banking).

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 40 INTEREST RATE RISK AND CREDIT RISK DISCLOSURES (continued)

### A Interest rate risk (continued)

	Up to 1 month RM'000	1 - 3 months RM'000	The Group 2004 3 - 6 months RM'000	6 - 12 months RM'000	1 - 5 years RM'000
<b>Liabilities</b>					
Deposits from customers	17,352,024	4,533,154	3,453,190	5,918,843	90,325
Deposits and placements of banks and other financial institutions	1,016,406	114,000	19,000	-	-
Obligations on securities sold under repurchase agreements	3,446,144	10,900	-	-	-
Bills and acceptances payable	353,883	426,929	193,943	-	-
Other liabilities	-	-	-	-	-
Provision for taxation	-	-	-	-	-
<b>Total liabilities</b>	<b>22,168,457</b>	<b>5,084,983</b>	<b>3,666,133</b>	<b>5,918,843</b>	<b>90,325</b>
<b>On balance sheet - interest rate gap</b>	<b>6,207,234</b>	<b>(1,265,757)</b>	<b>(2,681,156)</b>	<b>(4,717,085)</b>	<b>7,810,167</b>
Interest rate swaps	61,418	228,582	62,094	670,000	(122,094)
<b>Off balance sheet - interest rate gap</b>	<b>61,418</b>	<b>228,582</b>	<b>62,094</b>	<b>670,000</b>	<b>(122,094)</b>
<b>Net interest rate gap</b>	<b>6,268,652</b>	<b>(1,037,175)</b>	<b>(2,619,062)</b>	<b>(4,047,085)</b>	<b>7,688,073</b>

	Over 5 years RM'000	Non-interest sensitive RM'000	Islamic Banking RM'000	Total RM'000	Effective interest rate %
<b>Liabilities</b>					
Deposits from customers	-	3,512,739	2,941,983	37,802,258	2.7
Deposits and placements of banks and other financial institutions	-	13	302,100	1,451,519	2.2
Obligations on securities sold under repurchase agreements	-	-	137,849	3,594,893	2.7
Bills and acceptances payable	-	271,661	1,892	1,248,308	3.2
Other liabilities	-	419,295	49,349	468,644	-
Provision for taxation	-	40,568	28,717	69,285	-
<b>Total liabilities</b>	<b>-</b>	<b>4,244,276</b>	<b>3,461,890</b>	<b>44,634,907</b>	
<b>On balance sheet - interest rate gap</b>	<b>2,187,232</b>				
Interest rate swaps	(900,000)				
<b>Off balance sheet - interest rate gap</b>	<b>(900,000)</b>				
<b>Net interest rate gap</b>	<b>1,287,232</b>				

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 40 INTEREST RATE RISK AND CREDIT RISK DISCLOSURES (continued)

### A Interest rate risk (continued)

	Up to 1 month RM'000	1 - 3 months RM'000	The Bank 2005 3 - 6 months RM'000	6 - 12 months RM'000	1 - 5 years RM'000
<b>Assets</b>					
Cash and short-term funds	9,168,164	-	-	-	-
Securities purchased under resale agreements	3,015,891	4,381,237	2,531,364	-	-
Deposits and placements with banks and other financial institutions	-	3,320,327	25,291	600	-
Dealing securities	852,546	1,007,601	112,702	66,258	248,073
Investment securities	77,484	253,125	97,562	78,685	2,461,006
Loans, advances and financing	15,314,111	1,469,810	704,479	1,479,898	3,207,566
Other assets	-	-	-	-	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-
Tax recoverable	-	-	-	-	-
Investment in subsidiary companies	-	-	-	-	-
Fixed assets	-	-	-	-	-
Deferred tax assets	-	-	-	-	-
<b>Total assets</b>	<b>28,428,196</b>	<b>10,432,100</b>	<b>3,471,398</b>	<b>1,625,441</b>	<b>5,916,645</b>

	Over 5 years RM'000	Non-interest sensitive RM'000	Islamic Banking RM'000	Total RM'000	Effective interest rate %
<b>Assets</b>					
Cash and short-term funds	-	496,137	1,461,250	11,125,551	2.8
Securities purchased under resale agreements	-	-	-	9,928,492	2.8
Deposits and placements with banks and other financial institutions	-	-	191,396	3,537,614	2.8
Dealing securities	36,732	8,443	300,339	2,632,694	3.1
Investment securities	14,694	6,764*	373,406	3,362,726	4.1
Loans, advances and financing	1,175,762	(1,176,049)^	3,402,467	25,578,044	6.5
Other assets	-	232,832	17,563	250,395	-
Statutory deposits with Bank Negara Malaysia	-	788,450	51,150	839,600	-
Tax recoverable	-	2,879	-	2,879	-
Investment in subsidiary companies	-	72,041	-	72,041	-
Fixed assets	-	229,730	105	229,835	-
Deferred tax assets	-	96,481	18,723	115,204	-
<b>Total assets</b>	<b>1,227,188</b>	<b>757,708</b>	<b>5,816,399</b>	<b>57,675,075</b>	

\* Provision for permanent diminution in value for investment securities is included under non-interest sensitive component.

^ The negative balance represents specific provisions, interest-in-suspense and general provisions for loans and advances (excluding Islamic Banking).

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 40 INTEREST RATE RISK AND CREDIT RISK DISCLOSURES (continued)

### A Interest rate risk (continued)

	Up to 1 month RM'000	1 - 3 months RM'000	The Bank 2005 3 - 6 months RM'000	6 - 12 months RM'000	1 - 5 years RM'000
<b>Liabilities</b>					
Deposits from customers	15,818,410	5,080,563	3,959,964	6,572,557	64,512
Deposits and placements of banks and other financial institutions	1,697,039	100,000	177,000	-	-
Obligations on securities sold under repurchase agreements	8,714,531	560,465	-	-	-
Floating rate certificates of deposit	-	-	-	417,916	-
Bills and acceptances payable	64,125	87,044	88,388	-	-
Other liabilities	-	-	-	-	-
Provision for taxation	-	-	-	-	-
<b>Total liabilities</b>	<b>26,294,105</b>	<b>5,828,072</b>	<b>4,225,352</b>	<b>6,990,473</b>	<b>64,512</b>
<b>On balance sheet - interest rate gap</b>	<b>2,134,091</b>	<b>4,604,028</b>	<b>(753,954)</b>	<b>(5,365,032)</b>	<b>5,852,133</b>
Interest rate swaps	240,000	(354,645)	(17,402)	28,895	85,750
Interest rate futures	-	(1,566,000)	(1,111,000)	(2,377,000)	(7,637,000)
<b>Off balance sheet - interest rate gap</b>	<b>240,000</b>	<b>(1,920,645)</b>	<b>(1,128,402)</b>	<b>(2,348,105)</b>	<b>(7,551,250)</b>
<b>Net interest rate gap</b>	<b>2,374,091</b>	<b>2,683,383</b>	<b>(1,882,356)</b>	<b>(7,713,137)</b>	<b>(1,699,117)</b>

	Over 5 years RM'000	Non-interest sensitive RM'000	Islamic Banking RM'000	Total RM'000	Effective interest rate %
<b>Liabilities</b>					
Deposits from customers	-	3,605,324	4,889,360	39,990,690	2.7
Deposits and placements of banks and other financial institutions	-	373	91,750	2,066,162	2.6
Obligations on securities sold under repurchase agreements	-	-	246,600	9,521,596	2.6
Floating rate certificates of deposit	-	-	-	417,916	3.5
Bills and acceptances payable	-	324,778	562	564,897	3.1
Other liabilities	-	587,474	125,472	712,946	-
Provision for taxation	-	(38,373)	38,373	-	-
<b>Total liabilities</b>	<b>-</b>	<b>4,479,576</b>	<b>5,392,117</b>	<b>53,274,207</b>	
<b>On balance sheet - interest rate gap</b>	<b>1,227,188</b>				
Interest rate swaps	17,402				
Interest rate futures	-				
<b>Off balance sheet - interest rate gap</b>	<b>17,402</b>				
<b>Net interest rate gap</b>	<b>1,244,590</b>				

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 40 INTEREST RATE RISK AND CREDIT RISK DISCLOSURES (continued)

### A Interest rate risk (continued)

	Up to 1 month RM'000	1 - 3 months RM'000	The Bank 2004 3 - 6 months RM'000	6 - 12 months RM'000	1 - 5 years RM'000
<b>Assets</b>					
Cash and short-term funds	9,488,303	-	-	-	-
Deposits and placements with banks and other financial institutions	-	2,212,867	132,713	-	-
Dealing securities	1,370,070	263,689	321,969	6,997	133,590
Investment securities	157,138	208,190	58,361	238,658	3,327,466
Loans, advances and financing	13,460,764	488,185	359,196	651,512	454,367
Other assets	-	-	-	-	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-
Tax recoverable	-	-	-	-	-
Investment in subsidiary companies	-	-	-	-	-
Fixed assets	-	-	-	-	-
Deferred tax assets	-	-	-	-	-
<b>Total assets</b>	<b>24,476,275</b>	<b>3,172,931</b>	<b>872,239</b>	<b>897,167</b>	<b>3,915,423</b>

	Over 5 years RM'000	Non-interest sensitive RM'000	Islamic Banking RM'000	Total RM'000	Effective interest rate %
<b>Assets</b>					
Cash and short-term funds	-	363,391	314,408	10,166,102	2.8
Deposits and placements with banks and other financial institutions	-	-	-	2,345,580	2.9
Dealing securities	14,995	20,305	238,035	2,369,650	3.1
Investment securities	20,077	(23,552)*	128,727	4,115,065	4.1
Loans, advances and financing	538,958	(1,039,622)^	632,680	15,546,040	7.1
Other assets	-	1,099,824	79,375	1,179,199	-
Statutory deposits with Bank Negara Malaysia	-	379,500	-	379,500	-
Tax recoverable	-	15,290	-	15,290	-
Investment in subsidiary companies	-	395,841	-	395,841	-
Fixed assets	-	172,874	-	172,874	-
Deferred tax assets	-	90,255	3,545	93,800	-
<b>Total assets</b>	<b>574,030</b>	<b>1,474,106</b>	<b>1,396,770</b>	<b>36,778,941</b>	

\* Provision for permanent diminution in value for investment securities is included under non-interest sensitive component.

^ The negative balance represents specific provisions, interest-in-suspense and general provisions for loans and advances (excluding Islamic Banking).

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 40 INTEREST RATE RISK AND CREDIT RISK DISCLOSURES (continued)

### A Interest rate risk (continued)

	Up to 1 month RM'000	1 - 3 months RM'000	The Bank 2004 3 - 6 months RM'000	6 - 12 months RM'000	1 - 5 years RM'000
<b>Liabilities</b>					
Deposits from customers	13,255,030	2,802,753	1,952,859	3,681,189	32,889
Deposits and placements of banks and other financial institutions	1,242,356	114,000	19,000	-	-
Obligations on securities sold under repurchase agreements	3,446,144	10,900	-	-	-
Bills and acceptances payable	348,253	426,929	193,943	-	-
Other liabilities	-	-	-	-	-
Provision for taxation	-	-	-	-	-
<b>Total liabilities</b>	<b>18,291,783</b>	<b>3,354,582</b>	<b>2,165,802</b>	<b>3,681,189</b>	<b>32,889</b>
<b>On balance sheet - interest rate gap</b>	<b>6,184,492</b>	<b>(181,651)</b>	<b>(1,293,563)</b>	<b>(2,784,022)</b>	<b>3,882,534</b>
Interest rate swaps	61,418	228,582	62,094	(30,000)	(322,094)
<b>Off balance sheet - interest rate gap</b>	<b>61,418</b>	<b>228,582</b>	<b>62,094</b>	<b>(30,000)</b>	<b>(322,094)</b>
<b>Net interest rate gap</b>	<b>6,245,910</b>	<b>46,931</b>	<b>(1,231,469)</b>	<b>(2,814,022)</b>	<b>3,560,440</b>

	Over 5 years RM'000	Non-interest sensitive RM'000	Islamic Banking RM'000	Total RM'000	Effective interest rate %
<b>Liabilities</b>					
Deposits from customers	-	3,512,740	885,759	26,123,219	2.6
Deposits and placements of banks and other financial institutions	-	13	282,100	1,657,469	2.0
Obligations on securities sold under repurchase agreements	-	-	137,849	3,594,893	2.7
Bills and acceptances payable	-	271,662	1,892	1,242,679	3.2
Other liabilities	-	313,908	7,366	321,274	-
Provision for taxation	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>4,098,323</b>	<b>1,314,966</b>	<b>32,939,534</b>	
<b>On balance sheet - interest rate gap</b>	<b>574,030</b>				
Interest rate swaps	-				
<b>Off balance sheet - interest rate gap</b>	<b>-</b>				
<b>Net interest rate gap</b>	<b>574,030</b>				



# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 40 INTEREST RATE RISK AND CREDIT RISK DISCLOSURES (continued)

### B Credit risk

The following table sets out the credit risk concentrations of the Group and the Bank by classes of financial assets:

	The Group 2005				
	Short term funds and placements with financial institutions RM'000	Dealing securities RM'000	Investment securities RM'000	Loans, advances and financing RM'000	Other assets RM'000
Agriculture	-	-	10,305	235,110	354
Mining and quarrying	-	-	-	35,436	-
Manufacturing	-	9,634	76,372	2,049,141	2,196
Electricity, gas and water	-	26,630	222,517	32,123	1,770
Construction	-	-	43,173	800,995	166
Real estate	-	-	27,667	267,807	63
Purchase of landed property					
- Residential	-	-	-	8,145,087	-
- Non-residential	-	-	-	2,357,690	-
General commerce	-	-	6,354	1,840,383	33
Transport, storage and communications	-	16,331	92,660	245,004	2,859
Finance, insurance and business services	1,669,361	2,240,383	580,497	597,311	45,282
Government and government agencies	22,921,323	331,273	2,248,383	806,177	89,369
Purchase of securities	-	-	8,109	5,035,576	1,286
Purchase of transport vehicles	-	-	-	2,035,907	-
Consumption credit	-	-	-	1,480,656	-
Others	-	-	-	31,209	7,256
	24,590,684	2,624,251	3,316,037	25,995,612	150,634

	The Bank 2005			
	Statutory deposits with Bank Negara Malaysia RM'000	On-balance sheet total RM'000	Treasury related commitments and contingencies RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	245,769	3,665	171,782
Mining and quarrying	-	35,436	6,432	9,521
Manufacturing	-	2,137,343	710,434	1,949,621
Electricity, gas and water	-	283,040	10,720	119,678
Construction	-	844,334	621	454,057
Real estate	-	295,537	-	129,476
Purchase of landed property				
- Residential	-	8,145,087	-	2,481,631
- Non-residential	-	2,357,690	-	757,812
General commerce	-	1,846,770	65,014	1,444,175
Transport, storage and communications	-	356,854	195	148,539
Finance, insurance and business services	-	5,132,834	21,607,756	241,211
Government and government agencies	839,600	27,236,125	-	-
Purchase of securities	-	5,044,971	-	33,772
Purchase of transport vehicles	-	2,035,907	468	438,604
Consumption credit	-	1,480,656	1,971	4,765,537
Others	-	38,465	1,727,914	1,099,725
	839,600	57,516,818	24,135,190	14,245,141

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 40 INTEREST RATE RISK AND CREDIT RISK DISCLOSURES (continued)

### B Credit risk (continued)

The following table sets out the credit risk concentrations of the Group and the Bank by classes of financial assets:

	The Group 2004				
	Short term funds and placements with financial institutions RM'000	Dealing securities RM'000	Investment securities RM'000	Loans, advances and financing RM'000	Other assets RM'000
Agriculture	-	-	10,305	244,969	144
Mining and quarrying	-	-	30,522	39,685	198
Manufacturing	-	54,995	31,339	2,202,188	371
Electricity, gas and water	-	-	116,611	128,271	1,378
Construction	-	-	-	927,332	-
Real estate	-	-	125,745	151,601	594
Purchase of landed property					
- Residential	-	-	-	6,661,334	-
- Non-residential	-	-	-	1,884,449	-
General commerce	-	-	13,363	1,651,034	135
Transport, storage and communications	-	5,683	70,569	255,941	2,062
Finance, insurance and business services	1,989,298	2,206,348	168,169	641,452	31,272
Government and government agencies	14,931,428	84,179	3,874,666	93,068	1,027,367
Purchase of securities	-	-	15,409	438,473	13
Purchase of transport vehicles	-	-	-	4,761,141	-
Consumption credit	-	-	-	2,223,950	-
Others	-	-	-	1,032,262	3,942
	16,920,726	2,351,205	4,456,698	23,337,150	1,067,476

	The Bank 2004			
	Statutory deposits with Bank Negara Malaysia RM'000	On-balance sheet total RM'000	Treasury related commitments and contingencies RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	255,418	17,441	200,436
Mining and quarrying	-	70,405	133	12,803
Manufacturing	-	2,288,893	601,965	1,666,586
Electricity, gas and water	-	246,260	6,743	109,995
Construction	-	927,332	-	496,801
Real estate	-	277,940	3,698	62,535
Purchase of landed property				
- Residential	-	6,661,334	1,972	2,471,833
- Non-residential	-	1,884,449	11,899	590,209
General commerce	-	1,664,532	124,975	1,109,409
Transport, storage and communications	-	334,255	-	93,310
Finance, insurance and business services	-	5,036,539	4,665,741	322,791
Government and government agencies	691,988	20,702,696	-	1,965
Purchase of securities	-	453,895	-	553,900
Purchase of transport vehicles	-	4,761,141	5,457	290,467
Consumption credit	-	2,223,950	1,191,169	4,047,923
Others	-	1,036,204	167,202	1,370,743
	691,988	48,825,243	6,798,395	13,401,706

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 40 INTEREST RATE RISK AND CREDIT RISK DISCLOSURES (continued)

### B Credit risk (continued)

	The Bank 2005				
	Short term funds and placements with financial institutions RM'000	Dealing securities RM'000	Investment securities RM'000	Loans, advances and financing RM'000	Other assets RM'000
Agriculture	-	-	10,305	234,914	354
Mining and quarrying	-	-	-	35,425	-
Manufacturing	-	9,634	76,372	2,043,237	2,196
Electricity, gas and water	-	26,630	222,517	32,123	1,770
Construction	-	-	43,173	800,742	166
Real estate	-	-	27,667	267,807	63
Purchase of landed property					
- Residential	-	-	-	8,145,087	-
- Non-residential	-	-	-	2,357,690	-
General commerce	-	-	6,354	1,840,222	33
Transport, storage and communications	-	16,331	92,660	245,004	2,859
Finance, insurance and business services	1,670,334	2,240,383	580,497	599,707	45,282
Government and government agencies	22,921,323	331,273	2,248,383	806,177	89,369
Purchase of securities	-	-	8,109	5,035,151	1,286
Purchase of transport vehicles	-	-	-	2,035,907	-
Consumption credit	-	-	-	1,480,656	-
Others	-	-	-	31,011	7,256
	24,591,657	2,624,251	3,316,037	25,990,860	150,634

	The Bank 2005			
	Statutory deposits with Bank Negara Malaysia RM'000	On-balance sheet total RM'000	Treasury related commitments and contingencies RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	245,573	3,665	171,782
Mining and quarrying	-	35,425	6,432	9,521
Manufacturing	-	2,131,439	710,434	1,949,621
Electricity, gas and water	-	283,040	10,720	119,678
Construction	-	844,081	621	454,057
Real estate	-	295,537	-	129,476
Purchase of landed property				
- Residential	-	8,145,087	-	2,481,631
- Non-residential	-	2,357,690	-	757,812
General commerce	-	1,846,609	65,014	1,444,175
Transport, storage and communications	-	356,854	195	148,539
Finance, insurance and business services	-	5,136,203	21,607,756	241,211
Government and government agencies	839,600	27,236,125	-	-
Purchase of securities	-	5,044,546	-	33,772
Purchase of transport vehicles	-	2,035,907	468	438,604
Consumption credit	-	1,480,656	1,971	4,765,537
Others	-	38,267	1,727,914	1,095,727
	839,600	57,513,039	24,135,190	14,241,143

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 40 INTEREST RATE RISK AND CREDIT RISK DISCLOSURES (continued)

### B Credit risk (continued)

	The Bank 2004				
	Short term funds and placements with financial institutions RM'000	Dealing securities RM'000	Investment securities RM'000	Loans, advances and financing RM'000	Other assets RM'000
Agriculture	-	-	10,305	222,388	144
Mining and quarrying	-	-	30,522	29,474	198
Manufacturing	-	54,995	29,499	2,027,931	368
Electricity, gas and water	-	-	116,611	113,125	1,378
Construction	-	-	-	565,042	-
Real estate	-	-	60,782	103,658	479
Purchase of landed property					
- Residential	-	-	-	5,492,021	-
- Non-residential	-	-	-	1,762,672	-
General commerce	-	-	13,363	1,468,913	135
Transport, storage and communications	-	5,683	70,569	201,397	2,062
Finance, insurance and business services	1,755,454	2,204,490	149,600	639,516	29,792
Government and government agencies	10,756,228	84,179	3,606,300	-	1,019,507
Purchase of securities	-	-	8,109	152,633	-
Purchase of transport vehicles	-	-	-	6,260	-
Consumption credit	-	-	-	2,223,950	-
Others	-	-	-	785,222	3,942
	12,511,682	2,349,347	4,095,660	15,794,202	1,058,005

	Statutory deposits with Bank Negara Malaysia RM'000				Credit related commitments and contingencies RM'000
	On-balance sheet total RM'000	Treasury related commitments and contingencies RM'000			
Agriculture	-	232,837	17,441	200,410	
Mining and quarrying	-	60,194	133	12,793	
Manufacturing	-	2,112,793	601,965	1,665,649	
Electricity, gas and water	-	231,114	6,743	109,366	
Construction	-	565,042	-	424,107	
Real estate	-	164,919	3,698	46,921	
Purchase of landed property					
- Residential	-	5,492,021	1,972	2,405,959	
- Non-residential	-	1,762,672	11,899	574,672	
General commerce	-	1,482,411	124,975	1,097,171	
Transport, storage and communications	-	279,711	-	90,288	
Finance, insurance and business services	-	4,778,852	4,925,741	318,548	
Government and government agencies	379,500	15,845,714	-	1,965	
Purchase of securities	-	160,742	-	-	
Purchase of transport vehicles	-	6,260	5,457	5,924	
Consumption credit	-	2,223,950	1,191,169	4,038,776	
Others	-	789,164	167,202	1,356,806	
	379,500	36,188,396	7,058,395	12,349,355	

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 41 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the balance sheet date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

The fair values are based on the following methodologies and assumptions:

### Deposits and placements with financial institutions

For deposits and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

### Securities purchased under resale agreements

The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities of six months and above, the estimated fair values are based on discounted cash flows using market rates for the remaining term to maturity.

### Dealing and investment securities

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been assessed by reference to market indicative interest yields or net tangible asset backing of the investee.

### Loans, advances and financing

For floating rate loans, the carrying value is generally a reasonable estimate of fair value. For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The fair values of non-performing floating and fixed rate loans are represented by their carrying value, net of specific provision and interest-in-suspense, being the expected recoverable amount.

### Other assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in "other assets and liabilities" are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates except for the special deposit with Bank Negara Malaysia of which fair value had been estimated using the prevailing money market rates for similar remaining period to maturities.

### Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For deposit with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 41 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

### Floating rate certificates of deposit

The estimated fair value of floating rate certificates of deposit approximate the carrying value given that the floating rates are repriced within a period of six months.

### Deposits and placements of banks and other financial institutions, obligations on securities held under repurchase agreements (“repos”), bills and acceptances payable

The estimated fair values of deposits and placements of banks and other financial institutions, repos and bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturities.

### Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

### Foreign exchange and interest rate related contracts

The fair values of foreign exchange and interest rate related contracts are the estimated amounts the Group or the Bank would receive or pay to terminate the contracts at the balance sheet date.

The above mentioned range of methodologies and assumptions had been used in deriving the fair values of the Group's and the Bank's financial instruments at balance sheet date. The total fair value of each financial instrument approximates the total carrying value, except for the following:

On-balance sheet items	The Group 2005		The Group 2004	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>Financial assets:</b>				
Dealing securities	2,632,694	2,633,896	2,371,508	2,372,123
Investment securities	3,362,726	3,401,460	4,507,210	4,562,266
Loans, advances and financing	25,582,735	25,736,306	22,970,195	23,448,866
Other assets	150,634	150,634	1,067,476*	1,040,979*
<b>Financial liabilities:</b>				
Deposits from customers	39,916,490	39,989,357	37,802,258	37,826,199

\* In respect of financial year ended 2004, the carrying amount was not written down to the fair value, as the Directors were of the opinion that the amount was recoverable, as it was substantially deposit held with BNM. The deposit has matured in 2005 and the amount has been received in full.

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 41 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

### Foreign exchange and interest rate related contracts (continued)

Off-balance sheet items	Notional amount RM'000	The Group 2005 Positive mark-to- market RM'000	Negative mark-to- market RM'000
<b>Derivative financial instruments</b>			
Foreign exchange contracts:			
- Forward contracts	6,899,613	54,927	(37,729)
- Options	739,608	1,284	(1,312)
Interest rate contracts:			
- Futures - trading portfolio	1,367,000	34	(969)
- Futures - hedging portfolio	11,500,000	262	(8,799)
- Swaps - trading portfolio	3,224,645	12,565	(17,103)
- Swaps - hedging portfolio	297,402	-	(3,426)
Equity contracts:			
- Options	106,922	752	(752)

Off-balance sheet items	Notional amount RM'000	The Group 2004 Positive mark-to- market RM'000	Negative mark-to- market RM'000
<b>Derivative financial instruments</b>			
Foreign exchange contracts:			
- Forward contracts	4,659,469	19,978	(19,700)
Interest rate contracts:			
- Swaps - trading portfolio	1,333,591	3,213	(6,264)
- Swaps - hedging portfolio	750,000	4,465	(11,162)
Equity contracts:			
- Options	55,335	115	(115)

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 41 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

### Foreign exchange and interest rate related contracts (continued)

On-balance sheet items	The Bank 2005		The Bank 2004	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>Financial assets:</b>				
Dealing securities	2,632,694	2,633,896	2,369,650	2,370,265
Investment securities	3,362,726	3,401,460	4,115,065	4,162,455
Loans, advances and financing	25,578,044	25,731,614	15,546,040	15,550,300
Other assets	150,634	150,634	1,058,005*	1,031,508*
<b>Financial liabilities:</b>				
Deposits from customers	39,990,690	40,063,557	26,123,219	26,137,757

\* In respect of financial year ended 2004, the carrying amount was not written down to the fair value, as the Directors were of the opinion that the amount was recoverable, as it was substantially deposit held with BNM. The deposit has matured in 2005 and the amount has been received in full.

Off-balance sheet items	Notional amount RM'000	The Bank 2005 Positive mark-to- market RM'000	Negative mark-to- market RM'000
<b>Derivative financial instrument</b>			
Foreign exchange contracts:			
- Forward contracts	6,899,613	54,925	(37,729)
- Options	739,608	1,284	(1,312)
Interest rate contracts:			
- Futures - trading portfolio	1,367,000	34	(969)
- Futures - hedging portfolio	11,500,000	262	(8,799)
- Swaps - trading portfolio	3,224,645	12,565	(17,103)
- Swaps - hedging portfolio	297,402	-	(3,426)
Equity contracts:			
- Options	106,922	752	(752)

Off-balance sheet items	Notional amount RM'000	The Bank 2004 Positive mark-to- market RM'000	Negative mark-to- market RM'000
<b>Derivative financial instrument</b>			
Foreign exchange contracts:			
- Forward contracts	4,659,469	19,978	(19,700)
Interest rate contracts:			
- Swaps - trading portfolio	1,533,591	5,985	(6,264)
- Swaps - hedging portfolio	810,000	4,465	(4,203)
Equity contracts:			
- Options	55,335	115	(115)



# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 41 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

### Foreign exchange and interest rate related contracts (continued)

The fair value of derivative financial instruments become favourable (positive mark-to-market) or unfavourable (negative mark-to-market) as a result of fluctuation in market interest rates or foreign exchange rates relative to their terms. The extent to which instruments are favourable or unfavourable and the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

In addition, fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of MASB 24 which requires the fair value information to be disclosed. These include other assets, statutory deposits with BNM, tax recoverable, investment in subsidiary companies, fixed assets and deferred tax assets.

## 42 EQUITY COMPENSATION BENEFITS

### Executive Share Option Scheme (“ESOS” or “Scheme”)

Eligible executives of the Bank and Group are entitled to the Executive Share Option Scheme (“ESOS” or “Scheme”). Details of the share option scheme are disclosed in the Directors’ Report.

Details relating to options over the shares of the Bank that were exercised during the year are as follows:

	2005		2004	
	Number of options RM3.70 per share	over ordinary shares RM3.44 per share	Number of options RM3.70 per share	over ordinary shares RM3.44 per share
At 1 July 2004	2,131,400	10,000	6,325,000	71,000
Lapsed	(194,000)	-	(531,600)	(8,400)
Exercised	(1,937,400)	(10,000)	(3,662,000)	(52,600)
At 30 June 2005	-	-	2,131,400	10,000

- (a) During the financial year, there was nil options (2004: 1,642,200) on ordinary shares of RM3.70 per share and nil options (2004: 39,000) on ordinary shares of RM3.44 per share exercised that were satisfied via share issuance as follows:

	The Group and The Bank	
	2005 RM’000	2004 RM’000
Ordinary share capital - at par	-	1,681
Share premium	-	4,529
Proceeds received on exercise of share options	-	6,210
Fair value of shares issued at exercise dates	-	8,648

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 42 EQUITY COMPENSATION BENEFITS (continued)

### Executive Share Option Scheme (“ESOS” or “Scheme”) (continued)

- (b) During the financial year, 1,937,400 options (2004: 2,019,800) on ordinary shares of RM3.70 per share and 10,000 options (2004: 13,600) on ordinary shares of RM3.44 per share exercised that were satisfied by way of a transfer of shares from the Trustee’s Account under the ESOS to the option holders as below:

	The Group and The Bank	
	2005 RM’000	2004 RM’000
Proceeds received on exercise of share options	7,203	7,520
Fair value of shares transferred at exercise dates	10,283	10,731

In the financial year ended 30 June 2004, a trust has been set up for the ESOS and it is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank’s shares from the open market for the purposes of this trust. The financial assistance given to the trustee is recorded as “Other asset” in the balance sheet. The cost of operating the ESOS scheme is charged to the income statement.

The trustee will manage the trust in accordance with the trust deed. Upon termination of the trust, the trustee will dispose all remaining trust shares, if any, and deal with any surplus or deficit of the trust in accordance with the instructions of the Bank.

A loan of RM21,611,000 has been granted to the trustee by the Bank for the purchase of such number of the Bank’s shares. The amount due from trustee as at 30 June 2005 is RM1,555,000 (2004: RM11,405,000) and is included in Other Assets. The loan is unsecured, interest free with no fixed repayment terms.

The number and market values of the ordinary shares held by the Trustee are as follows:

	2005		2004	
	Number of trust shares held ’000	Market value RM’000	Number of trust shares held ’000	Market value RM’000
At 1 July	2,255	10,913	-	-
Shares purchased	-	-	4,288	21,611
Shares transferred at exercise date	(1,948)	10,283	(2,033)	10,731
At 30 June	307	1,598	2,255	10,913

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 43 THE EFFECTS OF THE MERGER OF HONG LEONG FINANCE'S BUSINESS WITH THE BANK

The merger of HLF's business with the Bank was effected via the transfer of the finance company business excluding leasing business to the Bank as detailed in Note 37(a) to the financial statements. The net assets transferred are settled via inter-company balances. The exercise has no effect on the Group's results and position. In respect of the Bank, the effects on the financial position are as follows:

	At date of transfer RM'000
<b>Assets</b>	
Cash and short-term funds	172,590
Deposit and placements with banks and other financial institutions	4,023,000
Investment securities	97,328
Loans, advances and financing	7,359,624
Other assets	10,471
Statutory deposits with Bank Negara Malaysia	253,688
Fixed assets	58,539
Deferred tax assets	34,568
	12,009,808
<b>Liabilities</b>	
Deposits from customers	10,717,127
Deposit and placements of banks and other financial institutions	124,400
Other liabilities	147,416
Provision for zakat	7
Povision for staff retirement benefits	1,742
	10,990,692
Net assets transferred from HLF to the Bank	1,019,116

The cash and short-term funds transferred to the Bank was RM172,590,000.

## 44 GENERAL INFORMATION

The Bank is a public limited liability company that is incorporated and domiciled in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 20 July 2005.

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 45 THE OPERATIONS OF ISLAMIC BANKING

Balance sheets as at 30 June 2005

	Note	The Group		The Bank	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Assets</b>					
Cash and short-term funds	(a)	1,461,250	1,119,100	1,461,250	314,408
Deposits and placements with licensed banks		191,396	-	191,396	-
Dealing securities	(b)	300,339	239,893	300,339	238,035
Investment securities	(c)	373,406	128,727	373,406	128,727
Loans, advances and financing	(d)	3,402,467	2,164,828	3,402,467	632,680
Other assets	(e)	17,563	80,120	17,563	79,375
Statutory deposit with Bank Negara Malaysia		51,150	58,650	51,150	-
Fixed assets	(f)	105	160	105	-
Deferred tax assets	(g)	18,723	13,844	18,723	3,545
<b>Total assets</b>		<b>5,816,399</b>	<b>3,805,322</b>	<b>5,816,399</b>	<b>1,396,770</b>
<b>Liabilities and Islamic Banking funds</b>					
Deposits from customers	(h)	4,889,360	2,941,983	4,889,360	885,759
Deposits and placements of banks and other financial institutions	(i)	91,750	302,100	91,750	282,100
Obligations on securities sold under repurchase agreements		246,600	137,849	246,600	137,849
Bills and acceptances payable		562	1,892	562	1,892
Other liabilities	(j)	125,472	49,349	125,472	7,366
Provision for taxation		38,373	28,717	38,373	9,643
Total liabilities		5,392,117	3,461,890	5,392,117	1,324,609
Islamic Banking funds		424,282	343,432	424,282	72,161
<b>Total liabilities and Islamic Banking funds</b>		<b>5,816,399</b>	<b>3,805,322</b>	<b>5,816,399</b>	<b>1,396,770</b>
<b>Commitment and contingencies</b>	(s)	<b>344,662</b>	<b>217,868</b>	<b>344,662</b>	<b>164,662</b>

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 45 THE OPERATIONS OF ISLAMIC BANKING (continued)

### Income statements for the financial year ended 30 June 2005

	Note	The Group		The Bank	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Income derived from investment of depositors' funds	(l)	<b>249,913</b>	176,859	<b>238,310</b>	50,005
Transfer from/(to) profit equalisation reserve	(k)	(1,218)	(7,200)	<b>2,332</b>	(2,800)
<b>Total attributable income</b>		<b>248,695</b>	169,659	<b>240,642</b>	47,205
Income attributable to the depositors	(m)	<b>(118,928)</b>	(79,636)	<b>(113,606)</b>	(28,133)
Income attributable to the reporting institutions		<b>129,767</b>	90,023	<b>127,036</b>	19,072
Income derived from investment of Islamic Banking Capital funds	(n)	<b>21,291</b>	19,341	<b>20,298</b>	2,766
<b>Total net income</b>		<b>151,058</b>	109,364	<b>147,334</b>	21,838
Provision for losses on loan, advances and financing	(o)	<b>(25,525)</b>	(13,438)	<b>(24,451)</b>	(4,065)
		<b>125,533</b>	95,926	<b>122,883</b>	17,773
Overhead expenses	(p)	<b>(13,145)</b>	(7,039)	<b>(12,378)</b>	(1,846)
<b>Profit before taxation and zakat</b>		<b>112,388</b>	88,887	<b>110,505</b>	15,927
Taxation and zakat	(q)	<b>(31,538)</b>	(24,924)	<b>(31,011)</b>	(4,479)
<b>Profit after taxation and zakat</b>		<b>80,850</b>	63,963	<b>79,494</b>	11,448

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 45 THE OPERATIONS OF ISLAMIC BANKING (continued)

### Statements of changes in Islamic Banking funds for the financial year ended 30 June 2005

	Islamic Banking Capital fund RM'000	Retained profit RM'000	Total RM'000
<b>Group</b>			
Balance as at 1 July 2003	102,970	176,499	279,469
Net profit for the financial year	-	63,963	63,963
Balance as at 30 June 2004	102,970	240,462	343,432
<b>Balance as at 1 July 2004</b>	<b>102,970</b>	<b>240,462</b>	<b>343,432</b>
<b>Additional funds from Head Office</b>	<b>272,627</b>	<b>-</b>	<b>272,627</b>
<b>Net profit for the financial year</b>	<b>-</b>	<b>80,850</b>	<b>80,850</b>
<b>Return of Islamic Banking capital funds and retained profit arising from merger with HLF</b>	<b>(65,470)</b>	<b>(207,157)</b>	<b>(272,627)</b>
<b>Balance as at 30 June 2005</b>	<b>310,127</b>	<b>114,155</b>	<b>424,282</b>
<b>Bank</b>			
Balance as at 1 July 2003	37,500	23,213	60,713
Net profit for the financial year	-	11,448	11,448
Balance as at 30 June 2004	37,500	34,661	72,161
<b>Balance as at 1 July 2004</b>	<b>37,500</b>	<b>34,661</b>	<b>72,161</b>
<b>Additional funds from Head Office</b>	<b>272,627</b>	<b>-</b>	<b>272,627</b>
<b>Net profit for the financial year</b>	<b>-</b>	<b>79,494</b>	<b>79,494</b>
<b>Balance as at 30 June 2005</b>	<b>310,127</b>	<b>114,155</b>	<b>424,282</b>

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 45 THE OPERATIONS OF ISLAMIC BANKING (continued)

### Cash flow statements for the financial year ended 30 June 2005

	Note	The Group		The Bank	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Cash flows used in operating activities</b>					
Profit before taxation and zakat		112,388	88,887	110,505	15,927
Add/(less) adjustments:					
Depreciation		55	55	50	-
Transfer to/(from) profit equalisation reserve		1,218	7,200	(2,332)	2,800
Accretion of discount less amortisation of premium		(4,821)	(1,526)	(4,821)	(1,526)
Provision/(writeback) for diminution in value of investment securities		(202)	366	(202)	366
Provision for income-in- suspense		5,066	6,255	4,796	1,847
Provision for losses on loans, advances and financing		25,853	13,433	24,785	4,065
Cash flow from operating profit before changes in operating assets and liabilities		139,557	114,670	132,781	23,479
<b>(Increase)/decrease in operating assets</b>					
Deposits with finance company		(191,396)	30,000	522,603	-
Dealing securities		(60,446)	882,742	(62,304)	560,757
Loans, advances and financing		(1,268,558)	(377,479)	(1,214,763)	(229,422)
Statutory deposits with Bank Negara Malaysia		7,500	7,872	6,500	-
Other assets		62,557	(18,211)	62,177	(17,706)
<b>Increase/(decrease) in operating liabilities</b>					
Deposits from customers		1,947,377	93,563	2,056,084	(388,672)
Deposits and placements of banks and other financial institutions		(210,350)	272,850	(314,750)	279,000
Obligations on securities sold under repurchase agreements		108,751	119,509	108,751	119,509
Bills and acceptances payable		(1,330)	442	(1,372)	442
Other liabilities		48,144	(132,543)	(219,163)	(4,716)
Net cash from/(used in) operating activities		581,806	993,415	1,076,544	342,671
<b>Cash flows used in investing activities</b>					
Proceeds from disposal/(purchase) of investment securities		(239,656)	(5,078)	(239,656)	(85,078)

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 45 THE OPERATIONS OF ISLAMIC BANKING (continued)

### Cash flow statements for the financial year ended 30 June 2005 (continued)

	Note	The Group		The Bank	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Cash flows from financing activities</b>					
Additional funds from HO		-	-	272,627	-
<b>Net increase/(decrease) in cash and cash equivalents during the financial year</b>		<b>342,150</b>	988,337	<b>1,109,515</b>	257,593
<b>Cash and cash equivalents transferred from HLF</b>		<b>-</b>	-	<b>37,327</b>	-
<b>Cash and cash equivalents at beginning of the financial year</b>		<b>1,119,100</b>	130,763	<b>314,408</b>	56,815
<b>Cash and cash equivalents at end of the financial year</b>	(a)	<b>1,461,250</b>	1,119,100	<b>1,461,250</b>	314,408
<b>(a) Cash and short-term funds</b>					
Cash and balances with banks and other financial institutions		1,750	29,715	1,750	23
Money at call and deposit placements maturing within one month		1,459,500	1,089,385	1,459,500	314,385
		<b>1,461,250</b>	1,119,100	<b>1,461,250</b>	314,408
<b>(b) Dealing securities</b>					
Bankers' acceptances and Islamic accepted bills		-	1,858	-	-
Private and Islamic debt securities		15,116	9,995	15,116	9,995
Negotiable instruments of deposit		285,223	228,040	285,223	228,040
		<b>300,339</b>	239,893	<b>300,339</b>	238,035
<b>(c) Investment securities</b>					
<b>Money market instruments:</b>					
Malaysian Government investment certificates		133,748	93,774	133,748	93,774
Qagamas bonds		165,359	-	165,359	-
Khazanah bonds		9,027	9,027	9,027	9,027
		<b>308,134</b>	102,801	<b>308,134</b>	102,801
<b>Unquoted securities:</b>					
Shares		575	575	575	575
Islamic debt securities		64,697	25,351	64,697	25,351
		<b>373,406</b>	128,727	<b>373,406</b>	128,727
The maturity structure of money market instruments held for investment is as follows:					
Maturity within:					
- one year to five years		308,134	102,801	308,134	102,801



# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 45 THE OPERATIONS OF ISLAMIC BANKING (continued)

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>(d) Loans, advances and financing</b>				
Overdraft - cash line	10,056	3,832	10,056	3,832
Term financing	1,494,002	1,378,385	1,494,002	1,040,941
Hire purchase	2,901,786	1,657,408	2,901,786	-
Staff financing	126	72	126	-
Claims on customers under acceptance credits	17,347	6,424	17,347	6,424
Revolving credits	3,967	-	3,967	-
Other financing	55	6,059	55	-
	<b>4,427,339</b>	3,052,180	<b>4,427,339</b>	1,051,197
Unearned income	<b>(946,113)</b>	(800,771)	<b>(946,113)</b>	(405,781)
Gross loans, advances and financing	<b>3,481,226</b>	2,251,409	<b>3,481,226</b>	645,416
Income-in-suspense	<b>(10,687)</b>	(17,655)	<b>(10,687)</b>	(2,278)
Provision for bad and doubtful debts and financing:				
- specific	<b>(13,063)</b>	(30,125)	<b>(13,063)</b>	(597)
- general	<b>(55,009)</b>	(38,801)	<b>(55,009)</b>	(9,861)
Total net loans, advances and financing	<b>3,402,467</b>	2,164,828	<b>3,402,467</b>	632,680
<b>(i) Loans, advances and financing analysed by concepts are as follows:</b>				
Al-Murabahah	21,314	88	21,314	-
Al-Ijarah	-	2,263	-	-
Al-Ijarah Thumma Al-Bai'	2,523,474	1,417,657	2,523,474	-
Al-Manzil Bai' Bithaman Ajil	936,438	828,514	936,438	645,416
Al-Musyarakah	-	2,887	-	-
	<b>3,481,226</b>	2,251,409	<b>3,481,226</b>	645,416
<b>(ii) The maturity structure of loans, advances and financing is as follows:</b>				
Maturing within:				
- one year	91,041	114,131	91,041	8,336
- one year to three years	516,531	369,831	516,531	38,932
- three years to five years	1,048,352	820,751	1,048,352	105,266
- over five years	1,825,302	946,696	1,825,302	492,882
	<b>3,481,226</b>	2,251,409	<b>3,481,226</b>	645,416

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 45 THE OPERATIONS OF ISLAMIC BANKING (continued)

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>(d) Loans, advances and financing (continued)</b>				
(iii) Loans, advances and financing analysed by their economic purposes are as follows:				
Agriculture	72,285	44,939	72,285	41,113
Mining and quarrying	3,608	1,057	3,608	-
Manufacturing	170,881	109,825	170,881	79,014
Electricity, gas and water	7,029	2,659	7,029	352
Construction	82,178	77,469	82,178	58,302
Real estate	97,749	16,606	97,749	15,195
Purchase of landed property:	558,177	539,406	558,177	363,986
- residential	469,098	473,484	469,098	321,949
- non-residential	89,079	65,922	89,079	42,037
General commerce	139,879	62,893	139,879	29,624
Transport, storage and communication	36,137	30,170	36,137	22,945
Finance, insurance and business services	49,593	12,172	49,593	5,109
Purchase of securities	448	5,501	448	-
Purchase of transport vehicles	2,202,518	1,291,514	2,202,518	51
Consumption credit	9,836	4,384	9,836	4,372
Others	50,908	52,814	50,908	25,353
	<b>3,481,226</b>	<b>2,251,409</b>	<b>3,481,226</b>	<b>645,416</b>
(iv) Movements in the provision for bad and doubtful debts and financing and income-in-suspense accounts are as follows:				
<b>Income-in-suspense ("IIS")</b>				
As at beginning of the year	17,655	13,180	2,278	431
Amount transferred from HLF	-	-	15,646	-
Provisions made during the year	24,413	17,686	22,695	2,904
Amount written back	(19,347)	(11,431)	(17,899)	(1,057)
Amount written off	(12,034)	(1,780)	(12,033)	-
As at end of the year	<b>10,687</b>	<b>17,655</b>	<b>10,687</b>	<b>2,278</b>
<b>Specific provision ("SP")</b>				
As at beginning of the year	30,125	19,064	597	175
Amount transferred from HLF	-	-	30,512	-
Provisions made during the year	15,805	25,462	14,349	613
Amount written back	(6,160)	(6,987)	(5,689)	(191)
Amount written off	(26,707)	(7,414)	(26,706)	-
As at end of the year	<b>13,063</b>	<b>30,125</b>	<b>13,063</b>	<b>597</b>

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 45 THE OPERATIONS OF ISLAMIC BANKING (continued)

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>(d) Loans, advances and financing</b> (continued)				
(iv) Movements in the provision for bad and doubtful debts and financing and income-in-suspense accounts are as follows: (continued)				
<b>General provision ("GP")</b>				
As at beginning of the year	38,801	43,843	9,861	6,218
Amount transferred from HLF	-	-	29,023	-
Provisions made during the year	16,208	3,643	16,125	3,643
Amount written back	-	(8,685)	-	-
As at end of the year	55,009	38,801	55,009	9,861
(as % of total loans less SP and IIS)	1.6%	1.8%	1.6%	1.5%
(v) Movements in the non-performing loans and financing are as follows:				
As at beginning of the year	112,553	103,090	10,120	5,702
Amount transferred from HLF	-	-	100,083	-
Non-performing during the year	223,795	238,947	223,795	63,404
Accrued income on existing non-performing loans and financing	6,394	640	6,394	640
Performing during the year	(194,320)	(197,112)	(194,320)	(56,293)
Amount written back in respect of recoveries	(33,927)	(23,818)	(33,927)	(3,333)
Amount written off	(35,382)	(9,194)	(33,032)	-
As at end of the year	79,113	112,553	79,113	10,120
Ratio of non-performing loans to total loans, both net of SP and IIS	1.6%	2.9%	1.6%	1.1%
<b>(e) Other assets</b>				
Other debtors, deposits and prepayments	6,836	78,020	6,836	77,991
Income receivable	10,727	2,100	10,727	1,384
	17,563	80,120	17,563	79,375

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 45 THE OPERATIONS OF ISLAMIC BANKING (continued)

	Office furniture, fittings, equipment and renovations RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total RM'000
<b>(f) Fixed assets</b>				
<b>2005</b>				
<b>The Group</b>				
<b>Cost</b>				
As at beginning/end of the year	309	211	5	525
<b>Accumulated depreciation</b>				
As at beginning of the year	165	199	1	365
Charge for the year	43	12	-	55
As at end of the year	208	211	1	420
<b>Net book value as at 30 June 2005</b>	<b>101</b>	<b>-</b>	<b>4</b>	<b>105</b>
<b>2004</b>				
<b>The Group</b>				
<b>Cost</b>				
As at beginning/end of the year	309	211	5	525
<b>Accumulated depreciation</b>				
As at beginning of the year	134	176	-	310
Charge for the year	31	23	1	55
As at end of the year	165	199	1	365
<b>Net book value as at 30 June 2004</b>	<b>144</b>	<b>12</b>	<b>4</b>	<b>160</b>
<b>2005</b>				
<b>The Bank</b>				
<b>Cost</b>				
As at beginning of the year	-	-	-	-
Amount transferred from HLF	309	211	5	525
As at end of the year	309	211	5	525
<b>Accumulated depreciation</b>				
As at beginning of the year	-	-	-	-
Amount transferred from HLF	168	201	1	370
Charge for the year	40	10	-	50
As at end of the year	208	211	1	420
<b>Net book value as at 30 June 2005</b>	<b>101</b>	<b>-</b>	<b>4</b>	<b>105</b>

There were no fixed assets in relation to the Islamic Banking operations for the Bank in 2004.

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 45 THE OPERATIONS OF ISLAMIC BANKING (continued)

	General provision RM'000	Other temporary differences RM'000	Total RM'000
<b>(g) Deferred tax assets</b>			
<b>The Group</b>			
<b>2005</b>			
As at beginning of the year	10,864	2,980	13,844
(Charged)/credited to income statement	4,538	341	4,879
As at end of the year	15,402	3,321	18,723
<b>2004</b>			
As at beginning of the year	12,276	1,135	13,411
(Charged)/credited income statement	(1,412)	1,845	433
As at end of the year	10,864	2,980	13,844
<b>The Bank</b>			
<b>2005</b>			
As at beginning of the year	2,761	784	3,545
Amount transferred from HLF	8,126	3,190	11,316
(Charged)/credited income statement	4,515	(653)	3,862
As at end of the year	15,402	3,321	18,723
<b>2004</b>			
As at beginning of the year	1,741	-	1,741
Credited to income statement	1,020	784	1,804
As at end of the year	2,761	784	3,545

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 45 THE OPERATIONS OF ISLAMIC BANKING (continued)

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>(h) Deposits from customers</b>				
<b>Mudharabah funds:</b>				
General investment deposits	4,241,541	2,300,463	4,241,541	394,855
<b>Non-Mudharabah funds:</b>				
Demand deposits	117,778	161,898	117,778	161,898
Savings deposits	529,808	479,622	529,808	329,006
Others	233	-	233	-
	<b>4,889,360</b>	<b>2,941,983</b>	<b>4,889,360</b>	<b>885,759</b>
<b>(i) Maturity structure of general investment deposits is as follows:</b>				
Due within:				
- six months	4,059,948	2,091,435	4,059,948	332,081
- six months to one year	172,252	201,677	172,252	58,072
- one year to three years	9,341	7,094	9,341	4,702
- three years to five years	-	257	-	-
	<b>4,241,541</b>	<b>2,300,463</b>	<b>4,241,541</b>	<b>394,855</b>
<b>(ii) The deposits are sourced from the following customers:</b>				
Business enterprises	3,646,245	754,895	3,646,245	284,328
Individuals	631,355	569,908	631,355	350,887
Others	611,760	1,617,180	611,760	250,544
	<b>4,889,360</b>	<b>2,941,983</b>	<b>4,889,360</b>	<b>885,759</b>
<b>(i) Deposits and placements of banks and other financial institutions</b>				
<b>Mudharabah funds:</b>				
Licensed banks	91,750	104,000	91,750	84,000
Licensed finance companies	-	198,100	-	198,100
	<b>91,750</b>	<b>302,100</b>	<b>91,750</b>	<b>282,100</b>
<b>(j) Other liabilities</b>				
Zakat	37	27	37	20
Profit equalisation reserve	(k) 12,473	11,255	12,473	2,800
Others	112,962	38,067	112,962	4,546
	<b>125,472</b>	<b>49,349</b>	<b>125,472</b>	<b>7,366</b>

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 45 THE OPERATIONS OF ISLAMIC BANKING (continued)

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>(k) Profit equalisation reserve</b>				
As at beginning of the year	11,255	4,055	2,800	-
Amount transferred from HLF	-	-	12,005	-
Amount written back during the year	(2,332)	-	(2,332)	-
Provision made during the year	3,550	7,200	-	2,800
As at end of the year	12,473	11,255	12,473	2,800
<b>(l) Income derived from investment of general investment deposits</b>				
<b>Finance income and hibah</b>				
Loans, advances and financing	186,236	136,657	176,645	27,659
Investment securities	9,357	4,291	9,360	2,510
Dealing securities	9,253	24,802	9,253	17,407
Money at call and deposit with financial institutions	41,095	9,298	39,292	2,934
	245,941	175,048	234,550	50,510
<b>Other dealing income</b>				
Net loss from sale of dealing securities	-	(1,754)	-	(1,754)
	-	(1,754)	-	(1,754)
<b>Other revenue income</b>				
Gain from sale of investment securities	-	-	-	-
(Provision)/writeback of diminution in investment securities	186	(347)	186	(347)
	186	(347)	186	(347)
<b>Fee and commission income</b>				
Commissions	234	226	232	226
Service charges and fees	1,667	3,600	1,666	1,317
Guarantee fees	5	2	5	2
Other fee income	1,878	48	1,669	48
	3,784	3,876	3,572	1,593
<b>Other income</b>				
Others	2	36	2	3
	2	36	2	3
	249,913	176,859	238,310	50,005

All types of deposits received from the Group's and the Bank's deposits are co-mingled into a single pool of funds. Islamic income/profit generated from the deposits' funds is allocated to various categories of depositors by using the weighted average method.

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 45 THE OPERATIONS OF ISLAMIC BANKING (continued)

### (l) Income derived from investment of general investment deposits (continued)

The Group and the Bank distributes Islamic income/profit derived from depositors' funds based on a pre-determined ratio in the case of Mudharabah, and on a ratio determined at the discretion of the Group and the Bank in the case of Non-Mudharabah. The profit/income distribution rate is arrived based on the framework of the rate of return issued by BNM.

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>(m) Income attributable to depositors</b>				
Deposits from customers				
- Mudharabah Fund	100,708	64,572	95,714	17,960
- Non-Mudharabah Fund	9,950	7,684	9,688	4,386
Deposits and placements of banks and other financial institution				
- Mudharabah Fund	8,270	7,380	8,204	5,787
	118,928	79,636	113,606	28,133
<b>(n) Income derived from investment of Islamic banking capital funds</b>				
<b>Finance income and hibah</b>				
Loans, advances and financing	15,863	15,770	15,046	1,529
Investment securities	789	372	797	139
Dealing securities	797	1,929	788	963
Money at call and deposit with financial institutions	3,501	994	3,347	162
	20,950	19,065	19,978	2,793
<b>Other dealing income</b>				
Net loss from sale of dealing securities	-	(97)	-	(97)
	-	(97)	-	(97)
<b>Other revenue income</b>				
Writeback/(provision) for diminution in investment securities	16	(19)	16	(19)
	16	(19)	16	(19)
<b>Fee and commission income</b>				
Commissions	20	13	20	13
Service charges and fees	143	371	142	73
Guarantee fees	-	-	-	-
Other fee income	161	3	142	3
	324	387	304	89
<b>Other income</b>				
Others	1	5	-	-
	1	5	-	-
	21,291	19,341	20,298	2,766



# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 45 THE OPERATIONS OF ISLAMIC BANKING (continued)

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>(o) Provision for losses on loans, advances and financing</b>				
Provision for bad and doubtful debts and financing:				
- Specific provision (net)	9,645	18,475	8,660	422
- General provision (net)	16,208	(5,042)	16,125	3,643
- Bad debts written off/(recovered)	(328)	5	(334)	-
	<b>25,525</b>	<b>13,438</b>	<b>24,451</b>	<b>4,065</b>
<b>(p) Overhead expenses</b>				
Personnel costs	2,247	1,789	2,206	1,245
Establishment costs	502	467	485	224
Marketing expenses	10,169	3,703	9,499	164
Administration and general expenses	227	1,080	188	213
	<b>13,145</b>	<b>7,039</b>	<b>12,378</b>	<b>1,846</b>

The number of employees as at the end of the financial year was 25 (2004: 16) for the Group and 25 (2004: 8) for the Bank at the Head Office Islamic Banking Division. The composition of personnel costs are as follows:

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Wages, salaries and bonuses	1,762	1,447	1,728	990
Contribution to defined contribution plan	215	180	212	126
Other staff related costs	270	162	266	129
	<b>2,247</b>	<b>1,789</b>	<b>2,206</b>	<b>1,245</b>
<b>(q) Taxation and zakat</b>				
Malaysian income tax	36,372	25,321	34,828	6,263
Under/(over) provision	-	16	-	-
Transfer (to)/from deferred taxation	(4,879)	(433)	(3,862)	(1,804)
Zakat	45	20	45	20
	<b>31,538</b>	<b>24,924</b>	<b>31,011</b>	<b>4,479</b>

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 45 THE OPERATIONS OF ISLAMIC BANKING (continued)

### (q) Taxation and zakat (continued)

The effective tax rate for the Group and Bank differed from the statutory rate of taxation due to:

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Profit before taxation and zakat	112,388	88,887	110,505	15,927
Tax calculated at a rate of 28%	31,468	24,888	30,941	4,459
Under/(over) provision	25	16	25	-
Tax expense	31,493	24,904	30,966	4,459

### (r) Capital adequacy

(i) The capital adequacy ratios of the Islamic Banking operations of the Group and the Bank are as follows:

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Tier-1 capital	405,559	329,588	405,559	68,616
Tier-2 capital	55,009	38,801	55,009	9,861
Capital base	460,568	368,389	460,568	78,477
<b>Capital ratios</b>				
Core capital ratio	11.67%	15.10%	11.67%	10.82%
Risk-weighted capital ratio	13.26%	16.88%	13.26%	12.38%

(ii) Components of Tier-1 and Tier-2 capital are as follows:

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Tier-1 capital</b>				
Islamic Banking Fund	310,127	102,970	310,127	37,500
Retained profits	114,155	240,462	114,155	34,661
Less: Deferred tax assets	(18,723)	(13,844)	(18,723)	(3,545)
Total Tier-1 capital	405,559	329,588	405,559	68,616
<b>Tier-2 capital</b>				
General provision for bad and doubtful debts	55,009	38,801	55,009	9,861
Total Tier-2 capital	55,009	38,801	55,009	9,861
Total capital base	460,568	368,389	460,568	78,477

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 45 THE OPERATIONS OF ISLAMIC BANKING (continued)

### (r) Capital adequacy (continued)

(iii) Breakdown of risk-weighted assets in the various categories of risk-weights:

	The Group		The Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
0%	1,691,302	696,531	1,691,302	220,849
10%	165,359	-	165,359	-
20%	440,223	852,159	440,223	462,640
50%	479,402	496,255	479,402	318,713
100%	3,178,409	1,764,124	3,178,409	382,166
	<b>5,954,695</b>	<b>3,809,069</b>	<b>5,954,695</b>	<b>1,384,368</b>
Total risk-weighted assets:				
- credit risk	3,522,691	2,182,683	3,522,691	634,051
- Market Risk Capital Adequacy Framework#	(48,497)	-	(48,497)	-
	<b>3,474,194</b>	<b>2,182,683</b>	<b>3,474,194</b>	<b>634,051</b>

# The capital adequacy ratios have incorporated market risk pursuant to BNM's guideline on Market Risk Capital Adequacy Framework which is effective from 1 April 2005.

The components of the capital base and risk-weighted assets of the Group above comprise the consolidated balances of the Bank and its subsidiary companies.

### (s) Commitments and contingencies

	The Group			
	2005 Principal RM'000	2005 Credit equivalent RM'000	2004 Principal RM'000	2004 Credit equivalent RM'000
Certain transaction-related contingent items	168	84	136	68
Short-term self-liquidating trade-related contingencies	1,094	219	460	92
Irrevocable commitment to extend credit:				
- maturity more than one year	313,429	156,715	206,418	103,209
- maturity less than one year	29,971	-	10,854	-
	<b>344,662</b>	<b>157,018</b>	<b>217,868</b>	<b>103,369</b>

	The Bank			
	2005 Principal RM'000	2005 Credit equivalent RM'000	2004 Principal RM'000	2004 Credit equivalent RM'000
Certain transaction-related contingent items	168	84	136	68
Short-term self-liquidating trade-related contingencies	1,094	219	460	92
Irrevocable commitment to extend credit:				
- maturity more than one year	313,429	156,715	153,522	76,761
- maturity less than one year	29,971	-	10,544	-
	<b>344,662</b>	<b>157,018</b>	<b>164,662</b>	<b>76,921</b>

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 45 THE OPERATIONS OF ISLAMIC BANKING (continued)

### (t) Related party transactions and balances

#### i) Related parties and relationships

The related parties of, and their relationship with the Bank are disclosed in Note 25.

#### ii) Significant related party transactions and balances

A number of banking transactions are entered into with related parties in the normal course of business. These significant related party transactions were carried out on commercial terms (i.e. terms and conditions obtainable in transactions with unrelated parties) and at market rates unless otherwise stated.

	2005		2004	
	Subsidiary companies RM'000	Other related companies RM'000	Subsidiary companies RM'000	Other related companies RM'000
<b>Income</b>				
Profit/income:				
- Private debt securities	-	815	-	815
- Interbank placements	-	-	74	-
<b>Expenditure</b>				
Profit/income:				
- Deposits	244	-	-	-
- Interbank placements	-	-	389	-
<b>Amounts due from:</b>				
Private debt securities	-	9,634	-	9,867
<b>Amounts due to:</b>				
General investment deposits	50,245	-	-	-
Interbank placements	-	-	198,100	-

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 45 THE OPERATIONS OF ISLAMIC BANKING (continued)

### (u) Maturities of assets

The distribution of assets in accordance with maturity structure or expected period to cash conversion are as follows:

	The Group			
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 6 months RM'000	6 - 12 months RM'000
<b>2005</b>				
<b>Assets</b>				
Cash and short term funds	1,459,500	-	-	-
Deposits & placements of banks and other FIs	-	190,000	1,396	-
Dealing securities	112,599	162,790	9,834	-
Investment securities	-	-	37,263	49,430
Loans, advances and financing	17,630	3,913	8,089	32,680
Other assets	-	-	-	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-
Fixed assets	-	-	-	-
Deferred tax assets	-	-	-	-
<b>Total assets</b>	<b>1,589,729</b>	<b>356,703</b>	<b>56,582</b>	<b>82,110</b>
	No			Total RM'000
	1-5 year RM'000	Over 5 years RM'000	contractual maturity RM'000	
<b>2005</b>				
<b>Assets</b>				
Cash and short term funds	-	-	1,750	1,461,250
Deposits & placements of banks and other FIs	-	-	-	191,396
Dealing securities	15,116	-	-	300,339
Investment securities	286,408	-	305	373,406
Loans, advances and financing	1,612,938	1,805,976	(78,759)*	3,402,467
Other assets	-	-	17,563	17,563
Statutory deposits with Bank Negara Malaysia	-	-	51,150	51,150
Fixed assets	-	-	105	105
Deferred tax assets	-	-	18,723	18,723
<b>Total assets</b>	<b>1,914,462</b>	<b>1,805,976</b>	<b>10,837</b>	<b>5,816,399</b>

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 45 THE OPERATIONS OF ISLAMIC BANKING (continued)

### (u) Maturities of assets (continued)

	The Group			
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 6 months RM'000	6 - 12 months RM'000
<b>2004</b>				
<b>Assets</b>				
Cash and short term funds	1,089,385	-	-	-
Dealing securities	1,858	203,420	24,620	9,995
Investment securities	-	-	-	-
Loans, advances and financing	70,021	14,024	5,709	24,377
Other assets	-	-	-	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-
Fixed assets	-	-	-	-
Deferred tax assets	-	-	-	-
<b>Total assets</b>	<b>1,161,264</b>	<b>217,444</b>	<b>30,329</b>	<b>34,372</b>

	1-5 year RM'000	Over 5 years RM'000	No contractual maturity RM'000	Total RM'000
	<b>2004</b>			
<b>Assets</b>				
Cash and short term funds	-	-	29,715	1,119,100
Dealing securities	-	-	-	239,893
Investment securities	128,619	-	108	128,727
Loans, advances and financing	1,190,582	946,696	(86,581)*	2,164,828
Other assets	-	-	80,120	80,120
Statutory deposits with Bank Negara Malaysia	-	-	58,650	58,650
Fixed assets	-	-	160	160
Deferred tax assets	-	-	13,844	13,844
<b>Total assets</b>	<b>1,319,201</b>	<b>946,696</b>	<b>96,016</b>	<b>3,805,322</b>

\* The negative balance represents specific provisions, income-in-suspense and general provision for loans, advances and financing.

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 45 THE OPERATIONS OF ISLAMIC BANKING (continued)

### (u) Maturities of assets (continued)

	The Bank			
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 6 months RM'000	6 - 12 months RM'000
<b>2005</b>				
<b>Assets</b>				
Cash and short term funds	1,459,500	-	-	-
Deposits & placements of banks and other FI	-	190,000	1,396	-
Dealing securities	112,599	162,790	9,834	-
Investment securities	-	-	37,263	49,430
Loans, advances and financing	17,630	3,913	8,089	32,680
Other assets	-	-	-	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-
Fixed assets	-	-	-	-
Deferred tax assets	-	-	-	-
<b>Total assets</b>	<b>1,589,729</b>	<b>356,703</b>	<b>56,582</b>	<b>82,110</b>

	1-5 year RM'000	Over 5 years RM'000	No contractual maturity RM'000	Total RM'000
	<b>2005</b>			
<b>Asset</b>				
Cash and short term funds	-	-	1,750	1,461,250
Deposits & placements of banks and other FI	-	-	-	191,396
Dealing securities	15,116	-	-	300,339
Investment securities	286,408	-	305	373,406
Loans, advances and financing	1,612,938	1,805,976	(78,759)*	3,402,467
Other assets	-	-	17,563	17,563
Statutory deposits with Bank Negara Malaysia	-	-	51,150	51,150
Fixed assets	-	-	105	105
Deferred tax assets	-	-	18,723	18,723
<b>Total assets</b>	<b>1,914,462</b>	<b>1,805,976</b>	<b>10,837</b>	<b>5,816,399</b>

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 45 THE OPERATIONS OF ISLAMIC BANKING (continued)

### (u) Maturities of assets (continued)

	The Bank			
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 6 months RM'000	6 - 12 months RM'000
<b>2004</b>				
<b>Assets</b>				
Cash and short term funds	314,385	-	-	-
Dealing securities	-	203,420	24,620	9,995
Investment securities	-	-	-	-
Loans, advances and financing	2,425	2,577	191	3,143
Other assets	-	-	-	-
Deferred tax assets	-	-	-	-
<b>Total assets</b>	<b>316,810</b>	<b>205,997</b>	<b>24,811</b>	<b>13,138</b>

	1-5 year RM'000	Over 5 years RM'000	No contractual maturity RM'000	Total RM'000
	<b>2004</b>			
<b>Assets</b>				
Cash and short term funds	-	-	23	314,408
Dealing securities	-	-	-	238,035
Investment securities	128,619	-	108	128,727
Loans, advances and financing	144,198	492,882	(12,736)*	632,680
Other assets	-	-	79,375	79,375
Deferred tax assets	-	-	3,545	3,545
<b>Total assets</b>	<b>272,817</b>	<b>492,882</b>	<b>70,315</b>	<b>1,396,770</b>

\* The negative balance represents specific provisions, income-in-suspense and general provision for loans, advance and financing



# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 45 THE OPERATIONS OF ISLAMIC BANKING (continued)

### (v) Asset risk

The following table sets out the asset risk concentrations of the Group and the Bank by classes of financial assets:

	The Group 2005			
	Short term funds and placements with financial institutions RM'000	Dealing securities RM'000	Investment securities RM'000	Loans, advances and financing RM'000
Agriculture	-	-	-	71,658
Mining and quarrying	-	-	-	3,577
Manufacturing	-	9,634	-	169,398
Electricity, gas and water	-	-	49,449	6,968
Construction	-	-	-	81,465
Real estate	-	-	-	96,901
Purchase of landed property				
- Residential	-	-	-	465,027
- Non-residential	-	-	-	88,846
General commerce	-	-	-	138,665
Transport, storage and communications	-	5,482	15,248	35,823
Finance, insurance and business services	152,059	285,223	-	49,163
Government and government agencies	1,500,587	-	308,134	-
Purchase of securities	-	-	-	444
Purchase of transport vehicles	-	-	-	2,189,324
Consumption credit	-	-	-	9,751
Others	-	-	-	50,466
	1,652,646	300,339	372,831	3,457,476

	The Bank 2005			Credit related commitments and contingencies RM'000
	Other assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	On-balance sheet total RM'000	
Agriculture	-	-	71,658	51,425
Mining and quarrying	-	-	3,577	56
Manufacturing	154	-	179,186	29,279
Electricity, gas and water	788	-	57,205	336
Construction	-	-	81,465	1,309
Real estate	-	-	96,901	605
Purchase of landed property				
- Residential	-	-	465,027	50,616
- Non-residential	-	-	88,846	8,427
General commerce	-	-	138,665	9,506
Transport, storage and communications	330	-	56,883	2,632
Finance, insurance and business services	4,545	-	490,990	-
Government and government agencies	4,910	51,150	1,864,781	-
Purchase of securities	-	-	444	53
Purchase of transport vehicles	-	-	2,189,324	155,318
Consumption credit	-	-	9,751	20,648
Others	-	-	50,466	14,452
	10,727	51,150	5,845,169	344,662

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 45 THE OPERATIONS OF ISLAMIC BANKING (continued)

### (v) Asset risk (continued)

	The Group 2004			Loans, advances and financing RM'000
	Short term funds and placements with financial institutions RM'000	Dealing securities RM'000	Investment securities RM'000	
Agriculture	-	-	-	44,938
Mining and quarrying	-	-	-	1,024
Manufacturing	-	9,995	-	109,150
Electricity, gas and water	-	-	25,351	2,636
Construction	-	-	-	77,263
Real estate	-	-	-	15,475
Purchase of landed property				
- Residential	-	-	-	470,867
- Non-residential	-	-	-	55,858
General commerce	-	-	-	62,881
Transport, storage and communications	-	-	-	29,924
Finance, insurance and business services	621,055	229,898	-	12,172
Government and government agencies	498,045	-	102,801	-
Purchase of securities	-	-	-	5,501
Purchase of transport vehicles	-	-	-	1,259,546
Consumption credit	-	-	-	3,958
Others	-	-	-	52,436
	1,119,100	239,893	128,152	2,203,629

	Other assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	On-balance sheet total RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	-	44,938	30,943
Mining and quarrying	-	-	1,024	-
Manufacturing	4	-	119,149	12,593
Electricity, gas and water	102	-	28,089	70
Construction	-	-	77,263	13,400
Real estate	-	-	15,475	1,246
Purchase of landed property				
- Residential	-	-	470,867	74,431
- Non-residential	-	-	55,858	12,196
General commerce	-	-	62,881	6,787
Transport, storage and communications	-	-	29,924	-
Finance, insurance and business services	1,331	-	864,456	-
Government and government agencies	644	58,650	660,140	-
Purchase of securities	-	-	5,501	-
Purchase of transport vehicles	-	-	1,259,546	42,856
Consumption credit	-	-	3,958	7,207
Others	19	-	52,455	16,139
	2,100	58,650	3,751,524	217,868

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 45 THE OPERATIONS OF ISLAMIC BANKING (continued)

### (v) Asset risk (continued)

	The Bank 2005			Loans, advances and financing RM'000
	Short term funds and placements with financial institutions RM'000	Dealing securities RM'000	Investment securities RM'000	
Agriculture	-	-	-	71,658
Mining and quarrying	-	-	-	3,577
Manufacturing	-	9,634	-	169,398
Electricity, gas and water	-	-	49,449	6,968
Construction	-	-	-	81,465
Real estate	-	-	-	96,901
Purchase of landed property				
- Residential	-	-	-	465,027
- Non-residential	-	-	-	88,846
General commerce	-	-	-	138,665
Transport, storage and communications	-	5,482	15,248	35,823
Finance, insurance and business services	152,059	285,223	-	49,163
Government and government agencies	1,500,587	-	308,134	-
Purchase of securities	-	-	-	444
Purchase of transport vehicles	-	-	-	2,189,324
Consumption credit	-	-	-	9,751
Others	-	-	-	50,466
	1,652,646	300,339	372,831	3,457,476

	Other assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	On-balance sheet total RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	-	71,658	51,425
Mining and quarrying	-	-	3,577	56
Manufacturing	154	-	179,186	29,279
Electricity, gas and water	788	-	57,205	336
Construction	-	-	81,465	1,309
Real estate	-	-	96,901	605
Purchase of landed property				
- Residential	-	-	465,027	50,616
- Non-residential	-	-	88,846	8,427
General commerce	-	-	138,665	9,506
Transport, storage and communications	330	-	56,883	2,632
Finance, insurance and business services	4,545	-	490,990	-
Government and government agencies	4,910	51,150	1,864,781	-
Purchase of securities	-	-	444	53
Purchase of transport vehicles	-	-	2,189,324	155,318
Consumption credit	-	-	9,751	20,648
Others	-	-	50,466	14,452
	10,727	51,150	5,845,169	344,662

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 45 THE OPERATIONS OF ISLAMIC BANKING (continued)

### (v) Asset risk (continued)

	The Bank 2004			Loans, advances and financing RM'000
	Short term funds and placements with financial institutions RM'000	Dealing securities RM'000	Investment securities RM'000	
Agriculture	-	-	-	41,112
Mining and quarrying	-	-	-	-
Manufacturing	-	9,995	-	78,996
Electricity, gas and water	-	-	25,351	352
Construction	-	-	-	58,302
Real estate	-	-	-	15,195
Purchase of landed property				
- Residential	-	-	-	319,332
- Non-residential	-	-	-	41,850
General commerce	-	-	-	29,612
Transport, storage and communications	-	-	-	22,945
Finance, insurance and business services	233,263	228,040	-	5,109
Government and government agencies	81,145	-	102,801	-
Purchase of securities	-	-	-	-
Purchase of transport vehicles	-	-	-	51
Consumption credit	-	-	-	4,367
Others	-	-	-	25,318
	314,408	238,035	128,152	642,541

	Other assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	On-balance sheet total RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	-	41,112	30,917
Mining and quarrying	-	-	-	-
Manufacturing	4	-	88,995	12,518
Electricity, gas and water	102	-	25,805	-
Construction	-	-	58,302	13,400
Real estate	-	-	15,195	1,246
Purchase of landed property				
- Residential	-	-	319,332	65,056
- Non-residential	-	-	41,850	12,064
General commerce	-	-	29,612	6,772
Transport, storage and communications	-	-	22,945	-
Finance, insurance and business services	938	-	467,350	-
Government and government agencies	321	-	184,267	-
Purchase of securities	-	-	-	-
Purchase of transport vehicles	-	-	51	-
Consumption credit	-	-	4,367	6,840
Others	19	-	25,337	15,849
	1,384	-	1,324,520	164,662

# Notes to the Financial Statements

for the financial year ended 30 June 2005 (continued)

## 45 THE OPERATIONS OF ISLAMIC BANKING (continued)

### (w) The effects of the merger of Hong Leong Finance's business with the Bank in relation to Islamic Banking

The merger of HLF's business with the Bank was effected via the transfer of the finance company's business excluding leasing business to the Bank as detailed in Note 37(a) to the financial statements. The net assets transferred are settled via inter-company balances. The exercise has no effect on the Group's results and position. In respect of the Bank, the effects on the financial position are as follows:

	At date of transfer RM'000
<b>Assets</b>	
Cash and short-term funds	37,327
Deposit and placements with banks and other financial institutions	713,999
Loans, advances and financing	1,584,605
Other assets	365
Statutory deposits with Bank Negara Malaysia	57,650
Fixed assets	155
Deferred tax assets	11,316
	2,405,417
<b>Liabilities</b>	
Deposits from customers	1,947,517
Deposit and placements of banks and other financial institutions	124,400
Bills and acceptances payable	42
Other liabilities	126,306
	2,198,265
<b>Net assets transferred from HLF to HLB</b>	<b>207,152</b>

The cash and short-term funds transferred to the Bank was RM37,327,000.

### (x) Shariah Advisor

The Bank has appointed a Shariah Advisory Committee that consists of 3 Shariah scholars, at all times.

The primary role of the Shariah Advisor is mainly advising on matters relating to the operation of existing HLB's Islamic Banking products and providing support by attending regular meetings with the Bank to ensure that its Islamic Banking products are in conformity with Shariah.

# Statement by Directors

pursuant to Section 169(15) of the Companies Act, 1965

We, Yvonne Chia and Zulkiflee Hashim, being two of the Directors of Hong Leong Bank Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 44 to 140 are drawn up so as to give a true and fair view of:

- (a) the state of affairs of the Group and the Bank as at 30 June 2005 and of the results of their operations for the year ended on that date; and
- (b) the cash flows of the Group and the Bank for the year then ended

in accordance with the provisions of the Companies Act, 1965, the MASB approved accounting standards in Malaysia and Bank Negara Malaysia Guidelines.

On behalf of the Board

**Yvonne Chia**

**Zulkiflee Hashim**

Kuala Lumpur  
29 August 2005

# Statutory declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, James Lim Tuang Ooi, being the officer primarily responsible for the financial management of Hong Leong Bank Berhad, do solemnly and sincerely declare that the financial statements set out on pages 44 to 140 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )  
the abovenamed James Lim Tuang Ooi )  
at Kuala Lumpur in Wilayah Persekutuan )  
on 29 August 2005. ) JAMES LIM TUANG OOI

Before me,

Teong Kian Meng  
Commissioner for Oaths  
29 August 2005

# Report of the auditors

to the members of Hong Leong Bank Berhad (Company no: 97141-X) (Incorporated in Malaysia)

We have audited the financial statements set out on pages 44 to 140.

These financial statements are the responsibility of the Bank's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with the approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965, the MASB approved accounting standards in Malaysia and Bank Negara Malaysia Guidelines so as to give a true and fair view of:
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Group and of the Bank as at 30 June 2005 and of the results and cash flows of the Group and Bank for the financial year ended on that date; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Bank and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of subsidiary companies of which we have not acted as auditors are indicated in Note 10 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

**PricewaterhouseCoopers**  
(AF: 1146)  
Chartered Accountants

**Dato' Ahmad Johan Bin Mohammad Raslan**  
(No. 1867/09/06 (J))  
Partner

Kuala Lumpur  
29 August 2005

# Other Information

## 1. MATERIAL CONTRACT

There were no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Bank and its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 20, Part A, Appendix 9C of the Listing Requirements of the Bursa Malaysia Securities Berhad.

## 2. ANALYSIS OF SHAREHOLDINGS AS AT 12 SEPTEMBER 2005

Authorised share capital	: RM3,000,000,000
Issued & paid-up capital	: RM1,580,107,034
Adjusted issued & paid-up capital	: RM1,527,954,334
Class of shares	: Ordinary shares of RM1.00 each
Voting rights	
• on show of hands	: 1 vote
• on a poll	: 1 vote for each share held

### Distribution schedule of shareholdings

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	203	1.36	6,463	0.00
100 - 1,000	3,044	20.40	2,661,876	0.17
1,001 - 10,000	9,801	65.68	35,876,754	2.35
10,001 - 100,000	1,501	10.06	43,614,852	2.85
100,001 - less than 5% of issued shares	370	2.48	393,075,270	25.73
5% and above of issued shares	3	0.02	1,052,719,119	68.90
	14,922	100.00	1,527,954,334	100.00

### Thirty largest shareholders

Name of Shareholders	No. of Shares	%
1. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Credit Berhad	828,740,168	54.24
2. Hong Leong Credit Berhad	122,833,332	8.04
3. Employees Provident Fund Board	101,145,619	6.62
4. HSBC Nominees (Asing) Sdn Bhd - Emerging Markets Growth Fund	19,421,400	1.27
5. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad	18,430,600	1.21
6. HSBC Nominees (Asing) Sdn Bhd - Prudential Assurance Company Ltd	14,274,400	0.93
7. Amanah Raya Nominees (Tempatan) Sdn Bhd - Skim Amanah Saham Bumiputera	13,398,300	0.88
8. Citicorp Nominees (Asing) Sdn Bhd - Goldman Sachs International	11,310,400	0.74
9. HSBC Nominees (Asing) Sdn Bhd - Delaware Group & International Funds	11,292,900	0.74



# Other Information (continued)

## 2. ANALYSIS OF SHAREHOLDINGS AS AT 12 SEPTEMBER 2005 (continued)

### Thirty largest shareholders (continued)

Name of Shareholders	No. of Shares	%
10. Permodalan Nasional Berhad	9,960,000	0.65
11. HSBC Nominees (Asing) Sdn Bhd - Mondrian Emerging Markets Equity Fund L.P.	8,831,400	0.58
12. HSBC Nominees (Tempatan) Sdn Bhd - Employees Provident Fund	7,923,500	0.52
13. HSBC Nominees (Asing) Sdn Bhd - The Emerging Markets Portfolio	7,546,100	0.49
14. Cartaban Nominees (Asing) Sdn Bhd - Liberty Newport Tiger Fund	6,332,600	0.41
15. HSBC Nominees (Asing) Sdn Bhd - Capital International Emerging Markets Investment Fund	6,246,000	0.41
16. Pertubuhan Keselamatan Sosial	5,550,500	0.36
17. HLG Nominee (Tempatan) Sdn Bhd - Chew Brothers Development Corporation Sdn Bhd	4,659,385	0.31
18. HSBC Nominees (Asing) Sdn Bhd - International Common Trust Fund	4,495,000	0.29
19. HSBC Nominees (Asing) Sdn Bhd - Fidelity Funds Malaysia	4,300,000	0.28
20. HSBC Nominees (Asing) Sdn Bhd - Kwek Leng Hai	3,935,000	0.26
21. RHB Nominees (Asing) Sdn Bhd - Cheng Fu Zay	3,911,600	0.26
22. Cartaban Nominees (Asing) Sdn Bhd - Ishares, Inc.	3,842,500	0.25
23. Citicorp Nominees (Asing) Sdn Bhd - PSP Foreign Equity Fund	3,740,000	0.24
24. HSBC Nominees (Asing) Sdn Bhd - New Asia Fund	3,675,000	0.24
25. Valuecap Sdn Bhd	3,610,000	0.24
26. Citicorp Nominees (Asing) Sdn Bhd - Kodak Retirement Income Plan Trust	3,455,400	0.23
27. Amanah Raya Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Am	3,428,000	0.22
28. Low Poh Weng	3,300,000	0.22
29. Citicorp Nominees (Asing) Sdn Bhd - Florida Retirement System	3,292,200	0.22
30. Cartaban Nominees (Asing) Sdn Bhd - Fullerton (Private) Limited	3,250,000	0.21
	<b>1,246,131,304</b>	<b>81.56</b>

# Other Information (continued)

## 2. ANALYSIS OF SHAREHOLDINGS AS AT 12 SEPTEMBER 2005 (continued)

### Substantial shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Bank as at 12 September 2005 are as follows:

Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
Hong Leong Credit Berhad	951,573,500	62.28	2,112,100#	0.14
Hong Leong Company (Malaysia) Berhad	-	-	953,685,600*	62.42
Tan Sri Quek Leng Chan	40,000	0.003	953,685,600**	62.42
HL Holdings Sdn Bhd	-	-	953,685,600**	62.42
Kwek Holdings Pte Ltd	-	-	953,685,600**	62.42
Kwek Leng Beng	-	-	953,685,600**	62.42
Hong Realty (Private) Limited	-	-	953,685,600**	62.42
Hong Leong Investment Holdings Pte Ltd	-	-	953,685,600**	62.42
Davos Investment Holdings Private Limited	-	-	953,685,600**	62.42
Kwek Leng Kee	202,500	0.01	953,685,600**	62.42
Quek Leng Chye	-	-	953,685,600**	62.42
Guoco Assets Sdn Bhd	-	-	953,685,600*	62.42
GuoLine Overseas Limited	-	-	953,685,600*	62.42
Guoco Group Limited	-	-	953,685,600*	62.42
GuoLine Capital Assets Limited	-	-	953,685,600*	62.42
Employees Provident Fund Board	116,236,219	7.61	-	-

Notes:

\* Deemed interest through Hong Leong Credit Berhad

\*\* Deemed interest through Hong Leong Company (Malaysia) Berhad

# Deemed interest through a subsidiary

## 3. DIRECTORS' INTERESTS AS AT 12 SEPTEMBER 2005

Subsequent to the financial year end, there is no change as at 12 September 2005 to the Directors' interests in the ordinary shares/warrants/options/irredeemable convertible unsecured loan stocks of the Bank and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 37 to 40 as recorded in the Register of Directors' Shareholdings kept by the Bank under Section 134 of the Companies Act, 1965 except for the changes set out below:

	Number of ordinary shares/*new shares to be issued arising from the exercise of warrants/options/irredeemable convertible unsecured loan stocks	
	No. of Shares	Indirect interest %
<b>YBhg Tan Sri Quek Leng Chan</b>		
Hume Industries (Malaysia) Berhad	118,110,828	63.91
Hong Leong Bank Berhad	953,685,600	62.42@
Hong Leong Industries Berhad ("HLI")	131,299,900	60.22@
	32,026,635*	10.90^
Camerlin Group Berhad ("CGB")	240,172,779	61.55
	3,901,252*	0.84#

Notes:

@ Change of percentage arising from share buy back.

^ Based on the enlarged share capital of HLI assuming full exercise of warrants 1996/2006 and irredeemable convertible unsecured loan stocks 2002/2007 as at 12 September 2005.

# Based on the enlarged share capital of CGB assuming full exercise of warrants 1997/2007 and irredeemable convertible unsecured loan stocks 2002/2007 as at 12 September 2005.

# Other Information (continued)

## 4. SHARE BUY BACK SCHEDULE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005

Month	No. of shares bought back	Lowest price paid (RM)	Highest price paid (RM)	Average price paid (RM)	Total consideration (RM)
November 2004	4,786,300	5.05	5.15	5.14	24,683,604
December 2004	180,300	5.35	5.40	5.39	972,504
January 2005	-	-	-	-	-
February 2005	4,139,600	5.30	5.40	5.35	22,132,206
March 2005	33,776,900	5.15	5.40	5.35	181,382,473
April 2005	5,528,600	5.05	5.35	5.22	28,924,296
May 2005	262,000	5.15	5.15	5.15	1,352,736
June 2005	2,869,000	5.15	5.20	5.19	14,926,704

## 5. UTILISATION OF PROCEEDS

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 proceeds raised were utilised for general banking and other corporate purposes.

# Other Information (continued)

## 6. LIST OF PROPERTIES

Location	Tenure	Description of property held	Gross area (Sq-ft)	Approx. Age (years)	Net book value (RM'000)	Date of acquisition
1, Light Street, Georgetown 10200 Pulau Pinang	Freehold	Branch premises	20,594	71	7,523	30/12/1986
15-G-1, 15-1-1 & 15-2-1 15, Medan Kampung Relau Bayan Point, 11900 Pulau Pinang	Freehold	Branch premises	9,968	6	2,527	26/6/1997
42, Jalan Pending 93450 Kuching Sarawak	Leasehold - 999 years (31/12/2779)	Branch premises	4,425	23	2,429	27/12/1983
133, 135 & 137 Jalan Kampong Nyabor 96000 Sibul, Sarawak	Freehold	Branch premises	4,871	13	3,263	28/12/1992
Jungle land at Sungai Lisut Rejang Sarawak Occupation Ticket 612 of 1931	Leasehold - 99 years (31/12/2026)	Jungle land	1,217,938	n/a	1	31/12/1938
25, Jalan Tun Ismail 25000 Kuantan Pahang Darul Makmur	Freehold	Branch premises	1,600	14	1,551	29/6/1996
69, 70 & 71, Jalan Dato' Bandar Tunggal 70000 Seremban Negri Sembilan Darul Khusus	Freehold	Branch premises	6,000	Pre-war	1,487	27/12/1994
26, Lorong Rahim Kajai 14 Taman Tun Dr Ismail 60000 Kuala Lumpur	Freehold	Branch premises	3,750	19	576	30/12/1986
120-122, Jalan Mersing 86000 Kluang Johor Darul Takzim	Leasehold - 99 years (22/8/2063)	Branch premises	3,355	39	764	31/5/1990
100, Jalan Gurney, 72100 Bahau Negri Sembilan Darul Khusus	Freehold	Branch premises	5,107	19	2,640	25/6/1992
12, 14 & 16, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	4,174	14	3,976	25/6/1992
6, Jalan Merdeka 96100 Sarikei Sarawak	Leasehold - 60 years (31/12/2029)	Branch premises	2,240	36	123	18/10/1969
Vacant land at Jalan Peace Kuching, Lot 2081 Section 64 KTL, Sarawak	Leasehold - 99 years (31/12/2037)	Vacant land	22,172	n/a	42	31/12/1967
63 & 65, Jalan SS 23/15 47400 Petaling Jaya Selangor Darul Ehsan	Freehold	Branch premises	4,760	10	3,824	28/4/1997
24, Medan Taming 2 Taman Taming Jaya 43300 Balakong Selangor Darul Ehsan	Freehold	Branch premises	3,037	9	1,314	28/4/1997

# Other Information (continued)

## 6. LIST OF PROPERTIES (continued)

Location	Tenure	Description of property held	Gross area (Sq-ft)	Approx. Age (years)	Net book value (RM'000)	Date of acquisition
1, Jalan Takal 15/21 Seksyen 15, 40000 Shah Alam Selangor Darul Ehsan	Leasehold - 99 years (29/6/2086)	Branch premises	2,625	18	1,370	26/6/1997
Lots 3594 & 3595 Jalan Baru Pak Sabah 23000 Dungun Terengganu Darul Iman	Leasehold - 84 years (2/2/2079)	Branch premises	3,199	11	246	26/6/1997
Sublot 1 & 2 on parent lot 2633 Bintulu Siwa District Bintulu, Sarawak	Leasehold - 60 years (12/2/2056)	Branch premises	2,582	10	1,397	26/6/1997
Lot 34, Industrial Land 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Warehouse	96,219	11	2,775	26/1/1995
1540, Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman	Leasehold - 55 years (28/2/2028)	Branch premises	10,619	30	63	30/6/1977
9A & 9B, Jalan Kampong Baru 08000 Sungai Petani Kedah Darul Aman	Freehold	Branch premises	9,320	12	976	1/1/1994
31, Jalan Ibrahim 08000 Sungai Petani Kedah Darul Aman	Freehold	Branch premises	2,448	21	709	1/7/1988
45, Jalan Burma 10500 Pulau Pinang	Freehold	Branch premises	14,277	27	2,344	24/11/1978
33A-C, Lintang Angsana Bandar Baru Air Hitam 11500 Pulau Pinang	Leasehold - 83 years (8/4/2082)	Branch premises	4,394	10	543	26/12/1995
452, Jalan Pinang 10000 Pulau Pinang	Freehold	Branch premises	2,874	9	1,240	1/12/1996
55-57, Jalan Yang Kalsom 30250 Ipoh Perak Darul Ridzuan	Freehold	Branch premises	11,720	26	1,241	1/10/1984
27, Jalan Dewangsa 31000 Batu Gajah Perak Darul Ridzuan	Leasehold - 79 years (26/2/2078)	Branch premises	4,694	10	316	24/11/1995
232, Jalan Bercham Taman Ria, 31400 Ipoh Perak Darul Ridzuan	Leasehold - 93 years (23/11/2092)	Branch premises	2,540	10	311	24/10/1995
75, Jalan Sultan Idris Shah 30000 Ipoh, Perak Darul Ridzuan	Freehold	Branch premises	1,900	8	672	15/6/1998
80 & 82, Jalan Othman 1/14 46000 Petaling Jaya Selangor Darul Ehsan	Leasehold - 90 years (15/6/2089)	Branch premises	9,062	15	1,324	1/6/1994
36, Jalan Midah 1 Taman Midah, Cheras 56000 Kuala Lumpur	Freehold	Branch premises	2,700	18	225	30/11/1984

# Other Information (continued)

## 6. LIST OF PROPERTIES (continued)

Location	Tenure	Description of property held	Gross area (Sq-ft)	Approx. Age (years)	Net book value (RM'000)	Date of acquisition
19, Jalan 54, Desa Jaya 52100 Kepong Selangor Darul Ehsan	Leasehold - 99 years (8/3/2081)	Branch premises	5,859	23	386	29/11/1985
55, Jalan Pasar 55100 Kuala Lumpur	Freehold	Branch premises	4,313	25	342	1/4/1980
Lot 111, Jalan Mega Mendung Kompleks Bandar Off Jalan Klang Lama 58200 Kuala Lumpur	Leasehold - 99 years (11/10/2076)	Branch premises	4,978	25	546	31/7/1988
161, Jalan Imbi 55100 Kuala Lumpur	Freehold	Branch premises	2,454	9	2,632	14/2/1996
109, Jalan SS 21/37 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan	Freehold	Branch premises	6,446	9	1,724	23/9/1996
8A-C, Jalan Station 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	12,854	12	527	22/10/1977
109, Main Road 83700 Yong Peng Johor Darul Takzim	Freehold	Branch premises	2,740	17	217	1/9/1988
31 & 32, Jalan Kundang Taman Bukit Pasir 83000 Batu Pahat Johor Darul Takzim	Freehold	Branch premises	8,932	13	555	5/3/1996
103, Jalan Rahmat 83000 Batu Pahat Johor Darul Takzim	Freehold	Branch premises	12,222	31	699	30/6/1977
26, Jalan Mersing 80050 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	7,040	21	1,455	22/5/1995
21, Jalan Tun Razak 27600 Raub Pahang Darul Makmur	Freehold	Branch premises	4,480	19	441	26/6/1986
1, Bentong Heights 28700 Bentong Pahang Darul Makmur	Freehold	Branch premises	5,432	37	42	30/6/1977
36, Main Road Tanah Rata 39000 Cameron Highland Pahang Darul Makmur	Leasehold - 99 years (24/11/2039)	Branch premises	1,728	65	171	30/8/1982
16A, Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman	Leasehold - 99 years (31/8/2003)	Branch premises	2,125	8	1,374	15/6/1998
15-G-12A, Medan Kampung Relau Bayan Point Bandar Bayan Baru 11900 Pulau Pinang	Freehold	Branch premises	5,708	6	1,369	15/7/1999

# Other Information (continued)

## 6. LIST OF PROPERTIES (continued)

Location	Tenure	Description of property held	Gross area (Sq-ft)	Approx. Age (years)	Net book value (RM'000)	Date of acquisition
W-1-0, W-2-0 & W-1-1 Subang Square Business Centre Jalan SS15/4G 47500 Subang Jaya Selangor Darul Ehsan	Freehold	Branch premises	4,545	6	1,908	18/12/1999
2828-G-02 & 2828-1-02 Jalan Bagan Luar 12000 Butterworth Pulau Pinang	Freehold	Branch premises	12,173	6	3,618	18/12/1999
Lots 568-G-17 & 568-1-17 Kompleks Mutiara 3 1/2 Mile Jalan Ipoh 51200 Kuala Lumpur	Freehold	Branch premises	4,945	6	3,330	23/11/1999
Plot No 20, Jalan Bidor Raya 35500 Bidor Perak Darul Ridzuan	Freehold	Branch premises	3,243	6	556	23/11/1999
1, Persiaran Greentown 2 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan	Leasehold - 99 years (21/11/2094)	Branch premises	7,870	5	2,161	23/11/1999
Lots 39 & 40 Kompleks Munshi Abdullah 75100 Melaka	Leasehold - 99 years (24/2/2084)	Branch premises	5,988	6	1,549	31/5/1991
Lots 17 & 18, Mukim Serdang Daerah Bandar Baharu Kedah Darul Aman	Freehold	Branch premises	5,840	4	423	20/9/2000
133 & 135, Jalan Gopeng 31900 Kampar Perak Darul Ridzuan	Freehold	Branch premises	4,700	4	366	13/12/2000
65-67, Jalan Tun HS Lee 50000 Kuala Lumpur	Freehold	Branch premises	2,223	9	5,052	14/10/1996
34, Jalan Yong Shook Lin 46200 Petaling Jaya Selangor Darul Ehsan	Leasehold - 99 years (09/09/2059)	Branch premises	1,875	12	624	26/11/1993
8, Jalan Carpenter Street 93000 Kuching Sarawak	Leasehold - 99 years (31/12/2775)	Branch premises	1,860	36	149	25/8/1969
64, Jalan Tun Mustapha 87007 Labuan	Leasehold - 999 years (31/12/2775)	Branch premises	1,370	14	647	30/5/1991
486, Jalan Pudu 55100 Kuala Lumpur	Freehold	Vacant premises	2,396	8	1,394	22/8/1997
Lot 3088, Lanang Road Sibu Town District Sarawak	Leasehold - 60 years (31/12/2028)	Godown	3,210	37	33	25/11/1968
Island Road Sibu Lot 454, Block 5 Sibu Town District Sarawak	Leasehold - 60 years (30/11/2055)	Vacant premises	10,587	9	1,279	26/2/1996

# Network Of Branches

## HEAD OFFICE

Level 2, Wisma Hong Leong  
18, Jalan Perak  
50450 Kuala Lumpur  
Wilayah Persekutuan  
Tel : 03-2164 2828  
Fax : 03-2164 1512

## PENINSULAR MALAYSIA WILAYAH PERSEKUTUAN

Level 1, Wisma Hong Leong  
18, Jalan Perak  
50450 Kuala Lumpur  
Tel : 03-2164 2525  
Fax : 03-2164 1511

147, Jalan Imbi  
55100 Kuala Lumpur  
Tel : 03-2141 1420  
Fax : 03-2141 1429

No. 34, 36 & 38 Jalan Petaling  
50000 Kuala Lumpur  
Tel : 03-2072 3226  
Fax : 03-2026 3048

Lot G-06, Wisma Bukit Bintang  
No. 28 Jalan Bukit Bintang  
55100 Kuala Lumpur  
Tel : 03-2142 9943  
Fax : 03-2144 4802

26, Persiaran Ara Kiri  
Lucky Garden, Bangsar  
59100 Kuala Lumpur  
Tel : 03-2093 8430  
Fax : 03-2094 3745

Ground Floor  
Bangunan Hong Leong  
117 Jln Tun H S Lee  
50000 Kuala Lumpur  
Tel : 03-2070 0686  
Fax : 03-2031 7784

No. 37, Jalan Telawi 3, Bangsar Baru  
59100 Kuala Lumpur  
Tel : 03-2284 3709  
Fax : 03-2284 3349

36, Jalan Midah 1  
Taman Midah, Cheras  
56000 Kuala Lumpur  
Tel : 03-9130 8906  
Fax : 03-9131 0433

No. 114 & 116, Jalan Cerdas  
Taman Connaught, Cheras  
56000 Kuala Lumpur  
Tel : 03-9102 1501  
Fax : 03-9102 1497

Lot 568-G-17 & Lot 568-1-17  
Kompleks Mutiara  
3 1/2 Mile, Jalan Ipoh  
51200 Kuala Lumpur  
Tel : 03-6258 3801  
Fax : 03-6258 3804

No. 31 & 33, Jalan 1/116B  
Kuchai Entrepreneurs Park  
Off Jalan Kuchai Lama  
58200 Kuala Lumpur.  
Tel : 03-7982 6462  
Fax : 03-7980 9324

No. 6 Jalan Kenanga  
55200 Kuala Lumpur  
Tel : 03-9222 1499  
Fax : 03-9222 1507

471 & 473, Batu 3, Jalan  
Ipoh 51200 Kuala Lumpur  
Tel : 03-4044 4736  
Fax : 03-4044 4606

111, Jalan Mega Mendung  
Kompleks Bandar  
Off Jalan Kelang Lama  
58200 Kuala Lumpur  
Tel : 03-7981 4251  
Fax : 03-7982 7811

Ground & 1st Floor  
Bangunan PLC, No. 279 & 281  
Jalan Tuanku Abdul Rahman  
50100 Kuala Lumpur  
Tel : 03-2691 5588  
Fax : 03-2691 3629

1, Jalan Ambong Kiri Dua  
Kepong Baru, 52100 Kuala Lumpur  
Tel : 03-6257 1022  
Fax : 03-6251 9717

180-0-7 & 180-0-8  
Wisma Mahkota, Taman Maluri  
Cheras, 55100 Kuala Lumpur  
Tel : 03-9282 1507  
Fax : 03-9282 1549

Lot G01A - G02A  
Ground Floor, Wisma MPL  
Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel : 03-2143 1627  
Fax : 03-2142 8671

30-34, Jalan Awan Hijau  
Oversea Union Garden  
Jalan Kelang Lama  
58200 Kuala Lumpur  
Tel : 03-7983 6612  
Fax : 03-7981 7324

No. 1-GM Jalan Perdana 4/6  
Pandan Perdana  
55300 Kuala Lumpur  
Tel : 03-9287 7369  
Fax : 03-9287 7630

No. 23GM & 25GM  
Jalan Pandan Indah 4/8  
Pandan Indah, 55100 Kuala Lumpur  
Tel : 03-4297 2254  
Fax : 03-4297 2258

55 - 57 Jalan Pasar  
55100 Kuala Lumpur  
Tel : 03-9223 5249  
Fax : 03-9223 0527

No. 47 & 48, Jalan Chow Kit  
50350 Kuala Lumpur  
Tel : 03-4043 8390  
Fax : 03-4043 1914

No. 71 & 73, Jalan Radin Tengah  
Zone J 4, Bandar Baru Seri Petaling  
57000 Kuala Lumpur  
Tel : 03-9058 2349  
Fax : 03-9057 8041

A54 Jalan Tuanku Empat  
Salak South Garden  
Off Jalan Sungei Besi  
57100 Kuala Lumpur  
Tel : 03-7982 9157  
Fax : 03-7982 9210

No. 8 & 10, Jalan 3/50C  
Taman Setapak Indah Jaya  
Off Jalan Genting Kelang  
53300 Kuala Lumpur  
Tel : 03-4023 9048  
Fax : 03-4023 9041

26, Lorong Rahim Kajai 14  
Taman Tun Dr Ismail  
60000 Kuala Lumpur  
Tel : 03-7729 3719  
Fax : 03-7728 6312

No. 266 & 267, Jalan Bandar 12  
Taman Melawati  
53100 Kuala Lumpur  
Tel : 03-4106 8951  
Fax : 03-4107 0152

No. 110 Jalan Tun Sambanthan  
50470 Kuala Lumpur  
Tel : 03-2274 0634  
Fax : 03-2273 6995

No. 3, Jalan 45/26  
Taman Sri Rampai  
53300 Kuala Lumpur  
Tel : 03-4025 1378  
Fax : 03-4025 4231

No. 44 & 46, Block A  
Plaza Sinar, Jalan 8/38D  
Taman Sri Sinar, Segambut  
51200 Kuala Lumpur  
Tel : 03-6272 9637  
Fax : 03-6272 9736



# Network Of Branches (continued)

## **SELANGOR DARUL EHSAN**

No. 91, Lorong Memanda 1  
Ampang Point, 68000 Ampang  
Tel : 03-4252 3805  
Fax : 03-4253 2505

1G-3G, Jalan Wawasan 2/10  
Bandar Baru Ampang  
68000 Ampang  
Tel : 03-4291 0437  
Fax : 03-4292 8006

No. 7 & 9, Jalan Bunga Tanjung 6A  
Taman Putra, 68000 Ampang  
Tel : 03-4292 9867  
Fax : 03-4293 9898

No. 68, Lorong Batu Nilam 4A  
Bandar Bukit Tinggi  
41200 Klang  
Tel : 03-3324 2832  
Fax : 03-3324 1339

Wisma Keringat 2  
No. 17, Lorong Batu Caves 2  
68100 Batu Caves  
Tel : 03-6187 7464  
Fax : 03-6187 8042

No. 24, Medan Taming 2  
Taman Taming Jaya  
43300 Balakong  
Tel : 03-8961 5949  
Fax : 03-8961 5951

No. 119 & 121  
Jalan Sultan Abdul Samad  
42700 Banting  
Tel : 03-3187 6758  
Fax : 03-3187 6652

No. 64 Jalan BRP 1/2  
Bukit Rahman Putra  
47000 Sungai Buloh  
Tel : 03-6156 0195  
Fax : 03-6157 5610

19 Jalan 54, Desa Jaya  
52100 Kepong  
Tel : 03-6276 3701  
Fax : 03-6272 2012

Lot G-18 & G-19  
Perdana The Palace  
Damansara Perdana  
47820 Petaling Jaya  
Tel : 03-7724 1357  
Fax : 03-7724 2167

No. 25-29G, Jalan SS 21/60  
47400 Damansara Utama  
Petaling Jaya  
Tel : 03-7726 3967  
Fax : 03-7726 4037

No. 8, Jalan SG 1/2  
Taman Seri Gombak  
68100 Batu Caves  
Tel : 03-61842492  
Fax : 03-61852689

30, Persiaran Tun Abdul Aziz  
43000 Kajang  
Tel : 03-8736 5277  
Fax : 03-8736 8133

20 Jalan Goh Hock Huat  
41400 Klang  
Tel : 03-3342 8036  
Fax : 03-3344 8872

No. 11 & 13, Jalan M/J 1  
Taman Majlis Jaya  
Jalan Sungai Chua  
43000 Kajang  
Tel : 03-8737 6090  
Fax : 03-8737 6517

No. 23 & 24, Jalan KIP 1  
Taman Perindustrian KIP  
52200 Selangor  
Tel : 03-6277 4614  
Fax : 03-6272 2687

Wisma Amsteel Securities  
No. 1, Lintang Pekan Baru  
Off Jalan Meru  
41050 Kelang  
Tel : 03-3343 7635  
Fax : 03-3343 7621

No. 29,  
Jalan Anggerik Vanilla N 31/N  
Kota Kemuning, 40460 Shah Alam  
Tel : 03-5123 0898  
Fax : 03-5123 1635

No. 64, Jalan Stesen  
45000 Kuala Selangor  
Tel : 03-3289 5958  
Fax : 03-3289 5955

No. 18 & 20, Jalan 20/16A  
Taman Paramount  
46300 Petaling Jaya  
Tel : 03-7876 5131  
Fax : 03-7876 4836

No. 48 Jalan Bandar Tiga  
Pusat Bandar Puchong  
47100 Puchong  
Tel : 03-5882 1297  
Fax : 03-5882 2869

No. 2, Jalan Kinrara  
Taman Kinrara, Jalan Puchong  
47100 Puchong  
Tel : 03-8075 1486  
Fax : 03-8070 1635

No. E-01-07 & E-01-08  
Jalan Puchong Prima 5/3  
Puchong Prima, 47100 Puchong  
Tel : 03-8068 3285  
Fax : 03-8060 5427

No. 14 & 15, Jalan Kenari 1  
Bandar Puchong Jaya  
47100 Puchong  
Tel : 03-8076 6697  
Fax : 03-8076 6610

80 & 82 Jalan Othman (1/14)  
46000 Petaling Jaya  
Tel : 03-7781 4261  
Fax : 03-7781 0133

Lot 9, Jalan 227C  
46100 Petaling Jaya  
Tel : 03-7955 6071  
Fax : 03-7960 0706

34 & 36 Jalan Yong Shook Lin  
46200 Petaling Jaya  
Tel : 03-7958 1269  
Fax : 03-7958 1032

Ground & Mezz Floor  
39, Jalan SS2/67  
47300 Petaling Jaya  
Tel : 03-78769372  
Fax : 03-78769846

No. 59A, Jalan Welman  
48000 Rawang  
Tel : 03-6091 0460  
Fax : 03-6093 4482

63 & 65, SS23/15, Taman SEA  
47400 Petaling Jaya  
Tel : 03-7804 9053  
Fax : 03-7804 4049

No. 1 & 3, Jalan Sri Sarawak 17  
Taman Sri Andalas  
41200 Klang  
Tel : 03-3324 2545 (gl)  
Fax : 03-3324 2553

No. 3, Jalan Takal 15/21, Seksyen 15  
40000 Shah Alam  
Tel : 03-55109 023  
Fax : 03-5510 5307

W-1-0, W-2-0 & W-1-1  
Subang Square Business Centre  
Jalan SS15/4G  
47500 Subang Jaya  
Tel : 03-5632 9068  
Fax : 03-5632 8764

30 Jalan Public  
Sungai Buloh New Village  
47000 Sungai Buloh  
Tel : 03-6156 9385  
Fax : 03-6156 9796

# Network Of Branches (continued)

No. 15 & 16 Jalan Menteri Besar 2  
New Sekinchan Business centre  
45400 Sekinchan  
Tel : 03-3241 6352  
Fax : 03-3241 6303

No. 39 & 41, Jalan SJ 17  
Taman Selayang Jaya  
68100 Batu Caves  
Tel : 03-6120 6813  
Fax : 03-6120 6797

No. 26 Jalan Tengku Ampuan  
Zabedah D9/D, Seksyen 9  
40100 Shah Alam  
Tel : 03-5880 8047  
Fax : 03-5880 8726

29-1, Jalan SP 2/1  
Taman Serdang Perdana  
43300 Seri Kembangan  
Tel : 03-8943 0795  
Fax : 03-8943 0867

Grd & 1st Floor  
No. 1505B, Jalan Besar  
43300 Seri Kembangan  
Tel : 03-8948 3162  
Fax : 03-8948 5031

No. 7 & 9 Jalan Pasar Baru 2  
Seksyen 3, Bandar Semenyih  
43500 Semenyih  
Tel : 03-8724 8639  
Fax : 03-8724 7743

12 & 14, Jalan PJS 11/28A  
Metro Bandar Sunway  
Bandar Sunway  
46150 Petaling Jaya  
Tel : 03-56375396  
Fax : 03-56375397

18, Ground Floor, Jalan 14/14  
46100 Petaling Jaya  
Tel : 03-79568101  
Fax : 03-79550425

No. 174 & 174A, Jalan Besar  
42800 Tanjung Sepat, Kuala Langat  
Tel : 03-3197 2149  
Fax : 03-31972257

1 & 3, Jalan Seri Tanming 1 F  
Taman Seri Tanming, Batu 9  
43200 Cheras  
Tel : 03-9100 4559  
Fax : 03-9100 3760

Ground Floor  
No. 22, Jalan USJ 10/1  
47620 Subang Jaya  
Tel : 03-5636 7225  
Fax : 03-5636 7230

169, Jalan Teluk Pulai  
41100 Klang  
Tel : 03-3372 7333  
Fax : 03-3372 7111

No. 36, Jalan Dato Shahbudin 30  
Taman Sentosa  
41200 Klang  
Tel : 03-5161 1679  
Fax : 03-5161 1919

## PERLIS INDERA KAYANGAN

No. 40 & 42, Jalan Bukit Lagi  
01000 Kangar  
Tel : 04-9770 366  
Fax : 04-9772 888

## KEDAH DARUL AMAN

1540 Jalan Sultan Badlishah  
05000 Alor Setar  
Tel : 04-731 7255  
Fax : 04-731 1514

No. 24, 26 & 28,  
Jalan Teluk Wanjah  
05200 Alor Setar  
Tel : 04-731 2969  
Fax : 04-731 4582

62 & 63, Jalan Bayu Satu  
09000 Kulim  
Tel : 04-4913 612  
Fax : 04-4913 604

Ground & 1st Floor  
No. 64 & 65, Jalan Pengkalan  
Taman Pekan Baru  
08000 Sungai Petani  
Tel : 04-423 6118  
Fax : 04-423 6121

No. 1 & 2, Jalan Raya  
09800 Serdang  
Tel : 04-4076 913  
Fax : 04-4076 921

9A & 9B, Jalan Kampung Baru  
08000 Sungai Petani  
Tel : 04-4205 225  
Fax : 04-4226 012

## PULAU PINANG

33A, B & C, Lintang Angsana  
Bandar Baru Ayer Itam  
11500 Pulau Pinang  
Tel : 04-8260 235  
Fax : 04-8269 843

No. 4 & 6, Lorong Usahaniaga 1  
Taman Usahaniaga  
14000 Bukit Mertajam  
Tel : 04-537 0453  
Fax : 04-537 0454

2828-G-02 & 2828-1-02  
Jalan Bagan Luar  
12000 Butterworth  
Tel : 04-331 5660  
Fax : 04-331 2145

No. 15-G-1 (Bayan Point)  
Medan Kampung Relau  
11900 Penang  
Tel : 04-642 8644  
Fax : 04-642 8640

No. 6963 & 6964  
Jalan Ong Yi How  
Kawasan Perusahaan Raja Uda  
13400 Butterworth  
Tel : 04-332 8735  
Fax : 04-332 2277

294 & 296, Jalan Jelutong  
11600 Penang  
Tel : 04-2812 435  
Fax : 04-2812 148

19 Jalan Bertam  
13200 Kepala Batas  
Seberang Prai  
Tel : 04-5754 900  
Fax : 04-5757 688

1781, Jalan Nibong Tebal  
Taman Panchor Indah  
14300 Pulau Pinang  
Tel : 04-5941 942  
Fax : 04-5942 886

45 Jalan Burma  
10050 Pulau Pinang  
Tel : 04-2103 505  
Fax : 04-2262 779

98-G-15, Prima Tanjung  
Jalan Fettes, Tanjung Tokong,  
10470 Pulau Pinang  
Tel : 04-8991 322  
Fax : 04-8998 644

No. 1, Lebuhr Kurau 1  
Taman Chai Leng  
13700 Prai  
Tel : 04-3977 961  
Fax : 04-3977 851

No. 9 & 10, Jalan Todak 2  
Pusat Bandar, Seberang Jaya  
13700 Prai  
Tel : 04-3972 092  
Fax : 04-3972 094

No. 441-G-1, 441-G-2, 441-G-3  
Jalan Burmah  
10350 Pulau Pinang  
Tel : 04-2295 717  
Fax : 04-2288 472

No. 723-G-G, 723-H-G & 723-I-G  
Jalan Sungai Dua  
11700 Pulau Pinang  
Tel : 04-6586 699  
Fax : 04-6586 969

# Network Of Branches (continued)

No. 1, Light Street Georgetown  
10200 Penang  
Tel : 04-2615 154  
Fax : 04-2626 360

No. 1-G-03, Tesco Penang  
No. 1, Leboh Tengku Kudin 1  
Bandar Jelutong  
11700 Penang  
Tel : 04-6561 420  
Fax : 04-6561 840

## **PERAK DARUL RIDZUAN**

No. 91 & 93,  
Jalan Dato Lau Pak Khuan  
Ipoh Garden, 31400 Ipoh  
Tel : 05-546 5359  
Fax : 05-549 5158

N-20, Jalan Bidor Raya  
Off Jalan Persatuan  
35500 Bidor  
Tel : 05-434 1212  
Fax : 05-434 4313

27 Jalan Dewangsa  
31000 Batu Gajah  
Tel : 05-365 3191  
Fax : 05-365 3190

75, Jalan Sultan Idris Shah  
30000 Ipoh  
Tel : 05-2554482  
Fax : 05-2547335

Lot-A-G-2 (Ground Floor)  
No. 1, Persiaran Greentown 2  
Greentown Business Centre  
30450 Ipoh  
Tel : 05-2530 046  
Fax : 05-2555 251

579 & 579A, Jalan Pasir Puteh  
31650 Ipoh  
Tel : 05-3229 653  
Fax : 05-3229 641

Ground Floor  
55-57 Jalan Yang Kalsom  
30250 Ipoh  
Tel : 05-2491 540  
Fax : 05-2542 323

133 & 135 Jalan Gopeng  
31900 Kampar  
Tel : 05-4665 778  
Fax : 05-4665 191

No. 17, Jalan Persiaran  
Kledang Timur 21  
Bandar Baru Menglembu  
31450 Ipoh  
Tel : 05-2829 367  
Fax : 05-2829 372

41, Jalan Taiping  
34200 Parit Buntar  
Tel : 05-7164 689  
Fax : 05-7163 648

No. 28, Medan Silibin  
30100 Ipoh  
Tel : 05-5281 553  
Fax : 05-5264 333

No. 16 & 17  
Taman Sitiawan Maju  
Jalan Lumut  
32000 Sitiawan  
Tel : 05-6922317  
Fax : 05-6922320

No. 53, 55 & 57, Jalan Stesyen  
34000 Taiping  
Tel : 05-8065446  
Fax : 05-8065631

No. 11 & 12  
Kompleks Menara Condong  
Jalan Ah Chong  
36000 Teluk Intan  
Tel : 05-6237 277  
Fax : 05-6233 642

## **NEGERI SEMBILAN DARUL KHUSUS**

100, Jalan Gurney, 72100 Bahau  
Tel : 06-454 2980  
Fax : 06-454 5358

112 Jalan Yam Tuan Raden  
72000 Kuala Pilah  
Tel : 06-4816 928  
Fax : 06-4813 284

9267 Jalan TS 2/1 H  
Taman Semarak 2  
71800 Nilai  
Tel : 06-7991 752  
Fax : 06-7991 755

No. 69, 70 & 71,  
Jalan Dato Bandar Tunggal  
70000 Seremban  
Tel : 06-7628 781  
Fax : 06-7638 288

1278 Jalan Rasah  
70300 Seremban  
Tel : 06-7615 789  
Fax : 06-7615 801

## **PAHANG DARUL MAKMUR**

A125 & A127, Jalan Air Putih  
25300 Kuantan  
Tel : 09-568 3277  
Fax : 09-568 4359

1 Bentong Heights  
28700 Bentong  
Tel : 09-222 1080  
Fax : 09-222 3592

36 Main Road, Tanah Rata  
39000 Cameron Highlands  
Tel : 05-4915 158  
Fax : 05-4911 158

No. 25, Jalan Tun Ismail  
25000 Kuantan  
Tel : 09-5157 158  
Fax : 09-5157 130

59 & 60, Jalan Temerloh  
Locked Bag No. 9  
28409 Mentakab  
Tel : 09-2772 954  
Fax : 09-2772 995

21 Jalan Tun Razak  
27600 Raub  
Tel : 09-3554 423  
Fax : 09-3554 455

F107 Jalan Kuantan  
28000 Temerloh  
Tel : 09-2967 492  
Fax : 09-2967 553

## **KELANTAN DARUL NAIM**

PT 226 & 227,  
Jalan Kebun Sultan,  
15350 Kota Baru  
Tel : 09-7470 934  
Fax : 09-7473 799

## **TERENGGANU DARUL IMAN**

Lot 3594 & 3595  
Jalan Baru Pak Sabah  
23000 Dungun  
Tel : 09-8482 766  
Fax : 09-8484 480

116, Jalan Pejabat  
20000 Kuala Terengganu  
Tel : 09-6244 464  
Fax : 09-6244 261

# Network Of Branches (continued)

## MELAKA

150 & 152  
Kompleks Munshi Abdullah  
Jalan Munshi Abdullah  
75100 Melaka  
Tel : 06-2865 988  
Fax : 06-2830 399

345, Jalan Ong Kim Wee  
75300 Melaka  
Tel : 06-2842 310  
Fax : 06-2830 153

No. 102 & 104, Jalan Suria 2  
Taman Malim Jaya  
75250 Melaka  
Tel : 06-3343 170  
Fax : 06-3343 067

## JOHOR DARUL TAKZIM

31 & 32 Jalan Kundang  
Taman Bukit Pasir  
83000 Batu Pahat  
Tel : 07-433 4105  
Fax : 07-431 7071

No. 49, Jalan Jenang  
83000 Batu Pahat  
Tel : 07-4314 436  
Fax : 07-4311 681  
07-4310 641

37, Jalan Harimau Tarum  
Taman Century  
80250 Johor Baharu  
Tel : 07-3332 519  
Fax : 07-3315 559

12 - 16, Jalan Wong Ah Fook  
80000 Johor Baharu  
Tel : 07-2228 312  
Fax : 07-2249 317

No. 8, Jalan Station  
80000 Johor Bahru  
Tel : 07-2228 462  
Fax : 07-2763 085

120 - 122, Jalan Mersing  
86000 Kluang  
Tel : 07-7732 234  
Fax : 07-7724 170

21, Jalan Ibrahim  
81900 Kota Tinggi  
Tel : 07-8832 021  
Fax : 07-8835 989

No. 6 & 7, Jalan Anggerik 1  
Taman Kulai Utama  
81000 Kulai  
Tel : 07-663 5282  
Fax : 07-663 2336

No. 70, Jalan Segamat  
85300 Labis  
Tel : 07-9251 208  
Fax : 07-9251 336

No. 17 & 18, Jalan Cempaka  
81750 Masai  
Tel : 07-252 6500  
Fax : 07-252 6378

No. 61-1, 61-2, 61-3  
Jalan Arab, 84000 Muar  
Tel : 06-9515 127  
Fax : 06-9515 215

No. 2 Jalan Jati Satu  
Taman Nusa Bestari Jaya  
81300 Skudai, Johor Bahru  
Tel : 07-5112 596  
Fax : 07-5113 492

2 & 2-01, Jalan Permas 10/7  
Bandar Baru Permas Jaya  
81750 Johor Bahru  
Tel : 07-3867 074  
Fax : 07-3880 762

No. 173 & 175, Jalan Sri Pelangi  
Taman Pelangi  
80400 Johor Bahru  
Tel : 07-335 3614  
Fax : 07-334 2598

No. 685, Jalan Taib Pontian  
82000 Johor  
Tel : 07-6876 641  
Fax : 07-6876 561

No. 32 & 33, Jalan Genuang  
85000 Segamat  
Tel : 07-9312 401  
Fax : 07-9310 212

6 & 8, Jalan Nakhoda 12  
Taman Ungku Tun Aminah  
81300 Skudai  
Tel : 07-5547 690  
Fax : 07-5566 682

No. LC 531, Jalan Payamas  
84900 Tangkak  
Tel : 06-9781154  
Fax : 06-9784684

80 Jalan Dedap 13  
Taman Johor Jaya  
81100 Johor Bahru  
Tel : 07-3546 320  
Fax : 07-3552 311

No. 39 & 41, Jalan Kebudayaan 1  
Taman Universiti  
81300 Skudai  
Tel : 07-5217 817  
Fax : 07-5217 726

Lot No. S122, KIP Mart  
Taman Tampoi Indah  
81200 Tampoi  
Tel : 07-2419 832  
Fax : 07-2418 061

109 Main Road  
83700 Yong Peng  
Tel : 07-4672 351  
Fax : 07-4674 185

Lot 33 (Inner Mall)  
Giant Cash & Carry Sdn Bhd  
3 Jalan Masai Lama,  
Mukim Plentong  
81750 Johor Bahru  
Tel : 07-3529 854  
Fax : 07-3529 857

## SABAH

Block B, 7, 11.2 km, Jalan Tuaran  
Hiong Tiong Industrial Centre  
88815 Inanam  
Tel : 088-437 026  
Fax : 088-437 302

19 Jalan Haji Saman  
P.O. Box 11989  
88821 Kota Kinabalu  
Tel : 088-235 699  
Fax : 088-218 386

Lot 119, Jalan Gaya  
88000 Kota Kinabalu  
Tel : 088-255 278  
Fax : 088-223 261

No. 5 & 6 (Ground Floor)  
Lorong Lintas Plaza 1, Lintas Plaza  
88300 Kota Kinabalu  
Tel : 088-318 753  
Fax : 088-316 226

Lot 1,2 & 3, Block 18  
Mile 4, North Road  
Bandar Indah  
90722 Sandakan  
Tel : 089-217835  
Fax : 089-212731

Ground & FirstFloor  
Wisma Sandaraya  
Humphrey Street  
90000 Sandakan  
Tel : 089-226 911  
Fax : 089-275 499

Ground & 1st Floor  
Lot No. 1, Block 35  
Fajar Commercial Complex  
Jalan Lembaga  
91013 Tawau  
Tel : 089-770 395  
Fax : 089-770 403

# Network Of Branches (continued)

## **SARAWAK**

Sublot 6, Lot 538  
Jalan Lee Kai Teng  
P.O Box 34  
95700 Betong, Sarawak  
Tel : 083-472 278  
Fax : 083-472 326

8-10, Lorong Maju  
PO Box 279  
96508 Bintangor  
Sarawak  
Tel : 084-693 431  
Fax : 084-693 689

Lot 3073 & 3074  
Jalan Abang Galau  
97000 Bintulu  
Sarawak  
Tel : 086-332 293  
Fax : 086-332 433

8, Carpenter Street  
P.O Box 1672, 93634 Kuching  
Sarawak  
Tel : 082-424 488  
Fax : 082-427 916

18, Chew Geok Lin  
Street(formerly OST)  
P.O Box 1461  
96000 Sibu, Sarawak.  
Tel : 084-336 653  
Fax : 084-316 833

42, Jalan Pending  
93450 Kuching  
Sarawak  
Tel : 082-336 132  
Fax : 082-336 912

Lot. 14, Electra House  
Power Street  
93000 Kuching  
Sarawak  
Tel : 082-240 312  
Fax : 082-415 466

Lots 561 & 562  
Jalan Datuk Wee Kheng Chiang  
Off Jalan Padungan  
93100 Kuching  
Sarawak  
Tel : 082-235 660  
Fax : 082-235 527

Ground Floor  
43A, Jalan Buangsiol  
98700 Limbang  
Sarawak  
Tel : 085-214 451  
Fax : 085-214 452

Lot 1090 & 1091, Jalan Merpati  
98007 Miri  
Sarawak  
Tel : 085-412 133  
Fax : 085-419 095

No. 722, Jalan Masjid  
P.O Box 19  
96400 Mukah  
Sarawak  
Tel : 084-871 726  
Fax : 084-871 737

No. 155C, Jalan Satok  
93400 Kuching  
Sarawak  
Tel : 082-257 654  
Fax : 082-253 529

Lot 124, Saratok Baazar  
P.O Box 71  
95407 Saratok  
Sarawak  
Tel : 083-436 011  
Fax : 083-436 012

No. 133, 135 & 137  
Jalan Kampung Nyabor  
96000 Sibu  
Sarawak  
Tel : 084-310 901  
Fax : 084-312 081

Lot 13 & 14, Olive Garden  
7th Mile Bazaar  
Jalan Pensrisen  
93250 Kuching  
Sarawak  
(P.O. Box 99, 93700, Kuching)  
Tel : 082-611 587  
Fax : 082-613 422

5E, Sabu Road  
P.O Box 106  
95007 Sri Aman  
Sarawak  
Tel : 083-320 459  
Fax : 083-320 460

6, Jalan Merdeka  
96100 Sarikei  
Sarawak  
Tel : 084-651 115  
Fax : 084-652 784

No. 175, Serian Bazaar  
94700 Serian  
Sarawak  
Tel : 082-874 878  
Fax : 082-874 828

296-297, Central Park  
Commercial Centre  
3rd Mile, 93200 Rock Road  
Kuching, Sarawak  
Tel : 082-236 300  
Fax : 082-230120

## **LABUAN**

No. 64, Jalan Tun Mustapha  
87007 Labuan  
Tel : 087-423 291  
Fax : 087-423 289

## **SINGAPORE**

20, Collyer Quay  
Unit #01-02 & 02-02  
Tung Centre  
Singapore 049319  
Tel : 02-6349 8338  
Fax : 02-6533 9340

## **HONG KONG**

50th Floor, The Center  
99 Queen's Road Central  
Hong Kong  
Tel : 852-2283 8838  
Fax : 852-2285 3138

## **Bureau de Change**

Public Concourse  
Sultan Ismail Airport  
81250 Johor Bahru  
Johor Bahru Takzim  
Tel : 07-598 4467  
Fax : 07-598 7379



I/We \_\_\_\_\_

of \_\_\_\_\_

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

\_\_\_\_\_

of \_\_\_\_\_

or failing him/her \_\_\_\_\_

of \_\_\_\_\_

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us and on my/our behalf at the Sixty-fourth Annual General Meeting of the Bank to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 8 November 2005 at 10.30 a.m. and at any adjournment thereof.

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

No.	Resolutions	For	Against
1.	To receive and consider the audited Financial Statements and Reports		
2.	To declare a final dividend of 15.5 sen per share less tax		
3.	To approve the payment of Directors' fees		
4.	To re-elect the following as Directors: (a) YBhg Tan Sri Quek Leng Chan (b) YBhg Datuk Dr Hussein Awang (c) Mr Tan Keok Yin	(a) (b) (c)	(a) (b) (c)
5.	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration		
6.	As a special business, to approve the ordinary resolution on authority to Directors to issue shares		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2005

\_\_\_\_\_  
Number of shares held

\_\_\_\_\_  
Signature of Member

**Notes:-**

1. If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.
2. If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
3. A proxy need not be a member of the Bank and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Bank.
4. A member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where two proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in order for the appointments to be valid. Where a member of the Bank is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two proxies in respect of each securities account it holds with ordinary shares of the Bank standing to the credit of the said securities account.
5. In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
6. All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 6, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time for holding the meeting or adjourned meeting.