

Hong Leong Islamic Bank Berhad
Unaudited Balance Sheet As At 30 September 2005

| | Note | Financial Period Ended 30/09/2005 RM'000 |
|--|---------|---|
| <u>ASSETS</u> | | |
| Cash and short-term funds | 4 | 200,000 |
| Deposits and placements with banks and other financial institutions | 5 | 1,321,876 |
| Securities Held-for-trading | 6 (i) | 418,769 |
| Securities Available-for-sale | 6 (ii) | 110,455 |
| Securities Held-to-maturity | 6 (iii) | 374,744 |
| Financing, advances and other financing | 7 | 3,595,257 |
| Other assets | | 108,372 |
| Statutory deposits with Bank Negara Malaysia | | 124,748 |
| Property, plant and equipment | | 1,021 |
| Deferred tax assets | | 18,723 |
| Total Assets | | 6,273,965 |
| <u>LIABILITIES AND SHAREHOLDER'S FUNDS</u> | | |
| Deposits from customers | 9 | 4,212,767 |
| Deposits and placements of banks and other financial institutions | 10 | 1,028,104 |
| Obligations on securities sold under repurchase agreements | | 366,506 |
| Bills and acceptance payable | | 572 |
| Other liabilities | 11 | 148,140 |
| Provision for taxation | | 4,822 |
| Total Liabilities | | 5,760,911 |
| Share Capital | | 500,000 |
| Reserves | | 13,054 |
| Total Shareholder's Funds | | 513,054 |
| Total Liabilities and Shareholder's Funds | | 6,273,965 |
| <u>COMMITMENTS AND CONTINGENCIES</u> | 17 | 350,248 |
| <u>CAPITAL ADEQUACY</u> | | |
| Core capital ratio | 16 | 12.90% |
| Risk-weighted capital ratio | 16 | 14.33% |
| Core capital ratio net of proposed dividends | 16 | 12.90% |
| Risk-weighted capital ratio net of proposed dividends | 16 | 14.33% |
| Net tangible asset per share (RM) | | 1.03 |

Hong Leong Islamic Bank Berhad
Unaudited Income Statement
For The Financial Period Ended 30 September 2005

| | Note | From The Date Of Incorporation 28/03/2005 To 30/09/2005 RM'000 |
|--|-------------|---|
| Income derived from investment of deposits' funds and others | 12 | 67,967 |
| Income derived from investment of shareholder's funds | 13 | 6,658 |
| Allowance for losses on financing | 14 | (2,253) |
| Provision for commitments and contingencies | | - |
| Impairment loss | | - |
| Profit equalisation reserve | | - |
| Other expenses directly attributable to the investment of the deposits and shareholder's funds | | - |
| Total distributable income | | <u>72,372</u> |
| Income attributable to deposits | 15 | <u>(34,601)</u> |
| Total net income | | 37,771 |
| Other operating expenses | | (20,658) |
| Profit before taxation and zakat | | <u>17,113</u> |
| Zakat | | (15) |
| Taxation | | (4,822) |
| Profit after taxation and zakat | | <u>12,276</u> |
| Profit attributable to shareholder | | <u>12,276</u> |
| Earnings per share - basic (sen) | | <u>2.46</u> |
| Earnings per share - fully diluted (sen) | | <u>2.46</u> |

Hong Leong Islamic Bank Berhad
Unaudited Statements Of Changes In Shareholder's Equity
For The Financial Period Ended 30 September 2005

| | ← | <u>Non-distributable Reserves</u> | → | | <u>Distributable</u> |
|---|----------------------------|-----------------------------------|---------------------------------|------------------------------|----------------------|
| | Share Capital RM'000 | Fair Value Reserves RM'000 | Statutory Reserves RM'000 | Retained Profit RM'000 | Total RM'000 |
| Issued and Paid-Up Capital | 500,000 | - | - | - | 500,000 |
| Net profit for the period | - | - | - | 12,276 | 12,276 |
| Transfer to statutory reserve | - | - | 6,138 | (6,138) | - |
| Unrealised net gain arising from change in fair value of available-for- sale securities | - | 778 | - | - | 778 |
| Balance as at 30/09/2005 | 500,000 | 778 | 6,138 | 6,138 | 513,054 |

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

| | Financial Period Ended 30/09/2005 RM'000 |
|---|--|
| Cash Flows from Operating Activities | |
| Profit before zakat and taxation | 17,113 |
| Adjustments for : | |
| Depreciation | 35 |
| Allowance for losses on financing | 2,253 |
| Loss on disposal of investment | 488 |
| Operating profit before working capital changes | 19,889 |
| Changes in working capital: | |
| Deposit and placement with banks and other financial Institutions | (1,321,876) |
| Financing and advances | (3,597,510) |
| Statutory deposits with Bank Negara Malaysia | (124,748) |
| Other assets | (127,095) |
| Deposits from customers | 4,212,767 |
| Deposits and placements of banks and other financial institutions | 1,028,104 |
| Obligations on securities sold under repurchase agreements | 366,506 |
| Bill payable | 572 |
| Other liabilities | 148,125 |
| Cash generated from operations | 604,734 |
| Zakat paid | - |
| Income taxes paid | - |
| Net cash generated from operating activities | 604,734 |
| Cash Flows from Investing Activities | |
| Purchase of property, plant and equipment | (1,056) |
| Purchase of investments (net) | (903,678) |
| Net cash used in investing activities | (904,734) |
| Cash Flows from Financing Activities | |
| Issuance of paid-up capital | 500,000 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | 200,000 |
| Cash and Cash Equivalents at Beginning of Financial Period | - |
| Cash and Cash Equivalents at End of Financial Period | 200,000 |

HONG LEONG ISLAMIC BANK BERHAD ("HLIB" or "Bank")

Notes To The Unaudited Financial Statements For The Financial Period Ended 30 September 2005

1 Basis of preparation

The financial statements of the Bank are prepared in accordance with the provision of the Companies Act 1965, Bank Negara Malaysia Guidelines (GP8-i), applicable approved accounting standards in Malaysia (MASB-i) and Shariah requirements.

2 Performance review

HLIB is a full-fledged Islamic bank and a wholly owned subsidiary of HLB offering commercial products and services to retail and corporate customers.

There was no comparison with the preceding interim result as the Bank was incorporated on 28 March 2005 and commenced its business on 1 July 2005.

3 Current year prospects - Outlook for this financial year ending 30/06/2006

The future prospect for HLIB is good given the vast and untapped market potential for its products and services and the support given by the government. HLIB will focus on product innovation and service delivery to achieve growth for the rest of the financial year.

4 Cash and short-term funds

Financial
Period Ended
30/09/2005
RM'000

Money at call and interbank placements
with remaining maturity not exceeding
one month

200,000

200,000

5 Deposits and placements with banks and other financial institutions

Financial
Period Ended
30/09/2005
RM'000

Bank Negara Malaysia

1,321,876

1,321,876

6 Securities

Financial
Period Ended
30/09/2005
RM'000

i) Securities Held-for-trading

Negotiable instruments of deposit

418,769

418,769

ii) Securities Available-for-sale

Cagamas bonds

100,310

Private debt securities

10,145

110,455

iii) Securities Held-to-maturity

Malaysian government securities

135,076

Cagamas bonds

165,278

Khazanah bonds

9,027

Unquoted securities

575

Private debt securities

64,788

374,744

7 Financing, advances and other financing

(i) By type

| | Financial Period Ended 30/09/2005 RM'000 |
|---|---|
| Term financing | |
| - House financing | 911,661 |
| - Hire purchase receivable | 3,119,209 |
| - Other term financing | 575,138 |
| Claims on customers under acceptance credits | 13,030 |
| Staff financing | 116 |
| Revolving credit | 3,351 |
| Others | 10,065 |
| | <u>4,632,570</u> |
| Less: Unearned income | <u>(966,309)</u> |
| | 3,666,261 |
| Less: Allowance for bad and doubtful financing | |
| - General | (54,817) |
| - Specific | (16,187) |
| Total net financing, advances and other financing | <u><u>3,595,257</u></u> |

(ii) By contract

| | Financial Period Ended 30/09/2005 RM'000 |
|---|---|
| Bai' Bithaman Ajil (deferred payment sale) | 931,856 |
| Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership) | 2,721,312 |
| Murabahah (cost-plus) | 13,093 |
| | <u><u>3,666,261</u></u> |

(iii) By type of customer

| | Financial Period Ended 30/09/2005 RM'000 |
|--|---|
| Domestic non-bank financial institutions | |
| - Others | 27 |
| Domestic business enterprises | |
| - Small medium enterprise | 372,328 |
| - Others | 430,533 |
| Individuals | 2,845,619 |
| Other domestic entities | 2,687 |
| Foreign entities | 15,067 |
| | <u><u>3,666,261</u></u> |

(iv) By profit rate sensitivity

| | Financial Period Ended 30/09/2005 RM'000 |
|----------------------------|---|
| Fixed rate | |
| - House financing | 305,792 |
| - Hire purchase receivable | 2,721,312 |
| - Others | 619,226 |
| Variable rate | |
| - House financing | 19,931 |
| | <u>3,666,261</u> |

(v) By sector

| | Financial Period Ended 30/09/2005 RM'000 |
|--|---|
| Agriculture, hunting, forestry & fishing | 77,237 |
| Mining and quarrying | 3,502 |
| Manufacturing | 159,178 |
| Electricity, gas and water | 7,244 |
| Construction | 79,264 |
| Real estate | 94,796 |
| Purchase of landed property: | |
| - Residential | 459,266 |
| - Non-residential | 78,656 |
| Wholesale & retail trade and restaurant & hotels | 155,048 |
| Transport, storage and communication | 45,563 |
| Finance, insurance and business services | 53,916 |
| Purchase of securities | 4,138 |
| Purchase of transport vehicles | 2,379,121 |
| Consumption credit | 9,314 |
| Others | 60,018 |
| | <u>3,666,261</u> |

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

| | Financial Period Ended 30/09/2005 RM'000 |
|---|---|
| Amount transferred from HLB | 70,437 |
| Classified as non-performing during the period | 61,163 |
| Reclassified as performing | (49,741) |
| Amount recovered | (8,018) |
| At end of period | <u>73,841</u> |
| Less: Specific allowance | <u>(16,187)</u> |
| Net non-performing financing, advances and other financing | <u>57,654</u> |
| Ratio of net non-performing financing, advances and other financing to total net financing, advances and other financing | <u>1.6%</u> |

(ii) Movements in allowance for bad and doubtful financing

| | Financial Period Ended 30/09/2005 RM'000 |
|--|---|
| General allowance | |
| Amount transferred from HLB | 55,009 |
| Allowance made / (written back) | (192) |
| At end of period | <u>54,817</u> |
| As % of gross financing, advances and other financing less specific allowance | <u>1.5%</u> |
| Specific allowance | |
| Amount transferred from HLB | 13,063 |
| Allowance made | 4,446 |
| Amount recovered | (1,255) |
| Amount written off | (67) |
| At end of period | <u>16,187</u> |

(iii) NPF by sector

| | Financial Period Ended 30/09/2005 RM'000 |
|---|---|
| Agriculture, hunting, forestry & fishing | 8 |
| Mining and quarrying | - |
| Manufacturing | 216 |
| Electricity, gas and water | 78 |
| Construction | 717 |
| Real estate | 686 |
| Purchase of landed property: | |
| - Residential | 25,781 |
| - Non-residential | 12,798 |
| Wholesale & retail trade and restaurant & hotels | 394 |
| Transport, storage and communication | 286 |
| Finance, insurance and business services | 788 |
| Purchase of securities | 882 |
| Purchase of transport vehicles | 30,161 |
| Consumption credit | 516 |
| Others | 530 |
| | <u>73,841</u> |

9 Deposits from customer

(i) By type of deposit

| | Financial Period Ended 30/09/2005 RM'000 |
|------------------------------------|---|
| Non-Mudharabah | |
| Demand deposits | 105,927 |
| Savings deposits | 377,676 |
| Others | <u>233</u> |
| | 483,836 |
| Mudharabah | |
| Savings deposits | 163,131 |
| General investment deposits | 3,526,077 |
| Negotiable instruments of deposits | <u>39,723</u> |
| | 3,728,931 |
| | <u><u>4,212,767</u></u> |

(ii) By type of customer

| | Financial Period Ended 30/09/2005 RM'000 |
|---------------------|---|
| Business enterprise | 2,588,070 |
| Individuals | 650,252 |
| Others | <u>974,445</u> |
| | 4,212,767 |

10 Deposits and placements of banks and other financial institutions

| | Financial Period Ended 30/09/2005 RM'000 |
|-----------------------|---|
| Non-Mudharabah | |
| Licensed banks | 1,028,104 |
| | <u>1,028,104</u> |

11 Other Liabilities

| | Financial Period Ended 30/09/2005 RM'000 |
|-------------------------------|---|
| Amount due to holding company | 11,212 |
| Profit equalisation reserves | 12,473 |
| Others | <u>124,455</u> |
| | 148,140 |

12 Income derived from investment of deposits' funds and others

| | Financial Period Ended 30/09/2005 RM'000 |
|-------------------------------------|---|
| Income derived from investment of : | |
| - General investment deposits | 45,730 |
| - Other deposits | 22,237 |
| | <u>67,967</u> |

(i) Income derived from investment of general investment deposits

| | Financial Period Ended 30/09/2005 RM'000 |
|--|---|
| Finance income and hibah | |
| Financing, advances and other financing | 34,822 |
| Securities Held-for-trading | 1,622 |
| Securities Available- for-sale | 416 |
| Securities Held-to-maturity | 1,265 |
| Money at call and deposit with financial institutions | 6,227 |
| | <u>44,352</u> |
| Amortisation of premium less accretion of discount | 854 |
| Total finance income and hibah | <u>45,206</u> |
| Other operating income | |
| Fee and commission | |
| - Commission | 47 |
| - Service Charges & fees | 214 |
| - Other fees income | 422 |
| Gain/(loss) from sale of available-for-sale securities | (27) |
| Gain/(loss) from sale of held-for-trading securities | (302) |
| Unrealised gain/(loss) on revaluation of held-for-trading securities | 159 |
| Others | 11 |
| | <u>524</u> |
| | <u>45,730</u> |

(ii) Income derived from investment of other deposits

| | Financial Period Ended 30/09/2005 RM'000 |
|--|---|
| Finance income and hibah | |
| Financing, advances and other financing | 16,934 |
| Securities Held-for-trading | 789 |
| Securities Available- for-sale | 202 |
| Securities Held-to-maturity | 615 |
| Money at call and deposit with financial institutions | 3,028 |
| | <hr/> 21,568 |
| Amortisation of premium less accretion of discount | 415 |
| Total finance income and hibah | <hr/> 21,983 |
| Other operating income | |
| Fee and commission | |
| - Commission | 23 |
| - Service Charges & fees | 104 |
| - Other fees income | 205 |
| Gain/(loss) from sale of available-for-sale securities | (13) |
| Gain/(loss) from sale of held-for-trading securities | (147) |
| Unrealised gain/(loss) on revaluation of held-for-trading securities | 77 |
| Others | 5 |
| | <hr/> 254 |
| | <hr/> 22,237 <hr/> |

13 Income derived from investment of shareholder's fund

| | Financial Period Ended 30/09/2005 RM'000 |
|--|---|
| Finance income and hibah | |
| Financing, advances and other financing | 5,067 |
| Securities Held-for-trading | 235 |
| Securities Available- for-sale | 61 |
| Securities Held-to-maturity | 185 |
| Money at call and deposit with financial institutions | 906 |
| | <hr/> 6,454 |
| Amortisation of premium less accretion of discount | 125 |
| Total finance income and hibah | <hr/> 6,579 |
| Other operating income | |
| Fee and commission | |
| - Commission | 7 |
| - Service Charges & fees | 32 |
| - Other fees income | 62 |
| Gain/(loss) from sale of available-for-sale securities | (4) |
| Gain/(loss) from sale of held-for-trading securities | (43) |
| Unrealised gain/(loss) on revaluation of held-for-trading securities | 23 |
| Others | 2 |
| | <hr/> 79 |
| | <hr/> 6,658 <hr/> |

14 Allowance for losses on financing

| | Financial Period Ended 30/09/2005 RM'000 |
|--|---|
| Allowance for bad and doubtful financing | |
| (a) Specific allowance | |
| - Provided | 4,446 |
| -Written back | (1,255) |
| (b) General allowance | |
| - Written back | (192) |
| Bad debts on financing | |
| - Recovered | (832) |
| - Written off | 86 |
| | <hr/> 2,253 <hr/> |

15 Income attributable to depositors

| | Financial Period Ended 30/09/2005 RM'000 |
|--|---|
| Deposits from customers | |
| - Mudharabah | 1,462 |
| - Non-Mudharabah | 25,958 |
| Deposits and placements of banks and other financial institutions | |
| - Mudharabah | 7,181 |
| | <u>34,601</u> |

16 Capital adequacy

| | Financial Period Ended 30/09/2005 RM'000 |
|---|---|
| Tier I capital | |
| Paid-up share capital | 500,000 |
| Other Reserves | 12,276 |
| | <u>512,276</u> |
| Less: Deferred tax assets/(liabilities) | (18,723) |
| Total Tier I capital | <u>493,553</u> |
| Tier II capital | |
| General allowance for bad and doubtful financing | 54,817 |
| Total Tier II capital | <u>54,817</u> |
| Capital base | <u>548,370</u> |
| Core capital ratio | 12.90% |
| Risk-weighted capital ratio | 14.33% |
| Core capital ratio net of proposed dividends | 12.90% |
| Risk-weighted capital ratio net of proposed dividends | 14.33% |

17 Commitments and contingencies

| | Financial Period Ended 30/09/2005 | | |
|--|--|--|--------------------------------------|
| | Principal amount RM'000 | Credit equivalent amount RM'000 | Risk weighted amount RM'000 |
| Transaction-related contingent items | 163 | 82 | 82 |
| Short-term self-liquidating trade-related contingencies | 317 | 63 | 63 |
| Irrecoverable commitments to extend credit: | | | |
| - Maturity not exceeding one year | 33,859 | - | - |
| - Maturity exceeding one year | 306,862 | 153,431 | 153,431 |
| Foreign exchange related contracts: | | | |
| - Less than one year | 9,047 | - | - |
| | <u>350,248</u> | <u>153,576</u> | <u>153,576</u> |

18 Profit rate risk

| | Non-trading book | | | | | Non-profit sensitive RM'000 | Trading book RM'000 | Total RM'000 | Effective profit rate % |
|--|-------------------------|------------------------|-------------------------|---------------------|------------------------|--------------------------------|------------------------|------------------|----------------------------|
| | Up to 1 month RM'000 | > 1-3 months RM'000 | > 3-12 months RM'000 | 1-5 years RM'000 | Over 5 years RM'000 | | | | |
| Assets | | | | | | | | | |
| Cash and short term funds | 200,000 | - | - | - | - | - | - | 200,000 | 2.7% |
| Deposits & placement with banks & other financial institutions | 1,321,876 | - | - | - | - | - | - | 1,321,876 | 2.7% |
| Securities Held-for-trading | - | - | - | - | - | - | 418,769 | 418,769 | 2.8% |
| Securities Available-for-sale | - | - | - | 74,660 | 35,000 | 795 | - | 110,455 | 3.7% |
| Securities Held-for-maturity | - | 37,199 | 214,914 | 114,256 | - | 8,375 | - | 374,744 | 3.3% |
| Financing, advances and other financing | | | | | | | | | |
| - performing | 36,731 | 4,485 | 198,949 | 1,940,616 | 1,423,085 | - | - | 3,603,866 | 6.1% |
| - non-performing | - | 7,205 | 23,793 | 24,699 | 18,144 | (82,450) | - | (8,609) | |
| Other assets | - | - | - | - | - | 252,864 | - | 252,864 | |
| Total assets | 1,558,607 | 48,889 | 437,656 | 2,154,231 | 1,476,229 | 179,584 | 418,769 | 6,273,965 | 5.2% |
| Liabilities | | | | | | | | | |
| Deposits from customers | 1,948,656 | 1,489,339 | 755,832 | 18,940 | - | - | - | 4,212,767 | 2.6% |
| Deposits & placement of banks & other financial institutions | 228,104 | 800,000 | - | - | - | - | - | 1,028,104 | 2.8% |
| Obligations on securities sold under repurchase agreements | 366,506 | - | - | - | - | - | - | 366,506 | 2.5% |
| Bills and acceptance payable | 69 | 5 | - | - | - | 498 | - | 572 | 2.8% |
| Other liabilities | - | - | - | - | - | 152,962 | - | 152,962 | |
| Total liabilities | 2,543,335 | 2,289,344 | 755,832 | 18,940 | - | 153,460 | - | 5,760,911 | 2.6% |
| Shareholder's funds | | | | | | 513,054 | | 513,054 | |
| Total liabilities and shareholder's funds | 2,543,335 | 2,289,344 | 755,832 | 18,940 | - | 666,514 | - | 6,273,965 | |
| On-balance sheet profit sensitivity gap | (984,728) | (2,240,455) | (318,176) | 2,135,291 | 1,476,229 | (486,930) | 418,769 | - | |
| Off-balance sheet profit sensitivity gap | - | - | - | - | - | - | - | - | |
| Total profit sensitivity gap | (984,728) | (2,240,455) | (318,176) | 2,135,291 | 1,476,229 | (486,930) | 418,769 | - | |