

Hong Leong Islamic Bank Berhad
Unaudited Balance Sheet As At 31 March 2006

	Note	Financial Period Ended 31/03/2006 RM'000
<u>ASSETS</u>		
Cash and short-term funds	4	210,000
Deposits and placements with banks and other financial institutions	5	1,464,710
Securities Held-for-trading	6 (i)	284,184
Securities Available-for-sale	6 (ii)	154,880
Securities Held-to-maturity	6 (iii)	612,951
Financing, advances and other financing	7	3,854,589
Other assets		193,941
Statutory deposits with Bank Negara Malaysia		171,474
Property, plant and equipment		2,162
Deferred tax assets		18,398
Total Assets		<u><u>6,967,289</u></u>
<u>LIABILITIES AND SHAREHOLDER'S FUNDS</u>		
Deposits from customers	9	5,468,041
Deposits and placements of banks and other financial institutions	10	225,256
Obligations on securities sold under repurchase agreements		579,162
Bills and acceptance payable		796
Other liabilities	11	160,363
Provision for taxation		1,266
Total Liabilities		<u><u>6,434,884</u></u>
Share Capital		500,000
Reserves		32,405
Total Shareholder's Funds		<u><u>532,405</u></u>
Total Liabilities and Shareholder's Funds		<u><u>6,967,289</u></u>
<u>COMMITMENTS AND CONTINGENCIES</u>	17	<u><u>379,623</u></u>
<u>CAPITAL ADEQUACY</u>		
Core capital ratio	16	12.37%
Risk-weighted capital ratio	16	13.82%
Core capital ratio net of proposed dividends	16	12.37%
Risk-weighted capital ratio net of proposed dividends	16	13.82%
Net assets per share (RM)		1.06

Hong Leong Islamic Bank Berhad
Unaudited Income Statement
For The Financial Period Ended 31 March 2006

	Note	From The Date Of Incorporation 28/03/2005 To 31/03/2006 RM'000
Income derived from investment of deposits' funds and others	12	216,760
Income derived from investment of shareholder's funds	13	21,062
Allowance for losses on financing	14	(15,369)
Provision for commitments and contingencies		-
Impairment loss		-
Profit equalisation reserve		5,475
Other expenses directly attributable to the investment of the deposits and shareholder's funds		-
Total distributable income		227,928
Income attributable to the depositors	15	(118,710)
Total net income		109,218
Other operating expenses		(62,409)
Profit before taxation and zakat		46,809
Zakat		(40)
Taxation		(13,091)
Profit after taxation and zakat		33,678
Profit attributable to shareholder		33,678
Earnings per share - basic (sen)		6.74
Earnings per share - fully diluted (sen)		6.74

Hong Leong Islamic Bank Berhad
Unaudited Statements Of Changes In Shareholder's Equity
For The Financial Period Ended 31 March 2006

	←	<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	-	-	-	33,678	33,678
Transfer to statutory reserve	-	-	16,839	(16,839)	-
Unrealised net gain arising from change in fair value of available-for- sale securities	-	(1,273)	-	-	(1,273)
Balance as at 31/03/2006	500,000	(1,273)	16,839	16,839	532,405

Hong Leong Islamic Bank Berhad
Unaudited Cash Flow Statement
For The Financial Period Ended 31 March 2006

	Financial Period Ended 31/03/2006 RM'000
Cash Flows from Operating Activities	
Profit before zakat and taxation	46,809
Adjustments for :	
Depreciation	211
Allowance for losses on financing	15,369
Loss on disposal of investment	74
Operating profit before working capital changes	62,463
Changes in working capital:	
Deposit and placement with banks and other financial Institutions	(1,464,710)
Financing and advances	(3,869,958)
Statutory deposits with Bank Negara Malaysia	(171,474)
Other assets	(212,339)
Deposits from customers	5,468,041
Deposits and placements of banks and other financial institutions	225,256
Obligations on securities sold under repurchase agreements	579,162
Bill payable	796
Other liabilities	160,323
Cash generated from operations	777,560
Zakat paid	-
Income taxes paid	(11,825)
Net cash generated from operating activities	765,735
Cash Flows from Investing Activities	
Purchase of property, plant and equipment	(2,373)
Purchase of investments (net)	(1,053,362)
Net cash used in investing activities	(1,055,735)
Cash Flows from Financing Activities	
Issuance of paid-up capital	500,000
Net Increase/(Decrease) in Cash and Cash Equivalents	210,000
Cash and Cash Equivalents at Beginning of Financial Period	-
Cash and Cash Equivalents at End of Financial Period	210,000

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

Notes To The Unaudited Financial Statements For The Financial Period Ended 31 March 2006

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 year as the Bank was incorporated on 28 March 2005 and commenced its business on 1 July 2005.

It had shown positive balance sheet growth, with the Financing base at RM3.9 billion and the Deposits from customer at RM5.5 billion. Financing to deposit ratio stood at 72%.

The core capital ratio and risk-weighted capital ratio stood at 12.37% and 13.82% respectively as at 31 March 2006, supported by an initial share capital base of RM 500 million. The ratio was maintained above the regulatory minimum of 4% and 8% respectively.

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

HLIB has shown its commitment by providing holistic Islamic financial services and solutions to fulfill customers' financial needs and expectations. HLIB will strive to further develop its business and the market, to act as a catalyst for growth and expansion of Islamic financial services in Malaysia, in line with the government's vision of making Kuala Lumpur the foremost Islamic financial hub in the ASEAN region.

**Financial
Period Ended
31/03/2006
RM'000**

4 Cash and short-term funds

Money at call and interbank placements with remaining maturity not exceeding one month	210,000
	210,000

5 Deposits and placements with banks and other financial institutions

Bank Negara Malaysia	1,460,000
Discount House	66
Other financial institutions	4,644
	1,464,710

6 Securities

i) Securities Held-for-trading

BNM Bills	1,498
Malaysian Government Treasury bills	7,891
Negotiable instruments of deposit	171,086
BAs & Islamic accepted bills	103,709
	284,184

ii) Securities Available-for-sale

Cagamas bonds	98,646
Private debt securities	56,234
	154,880

iii) Securities Held-to-maturity

Government investment issue	122,162
Cagamas bonds	440,519
Khazanah bonds	4,417
Unquoted securities	575
Private debt securities	45,278
	612,951

**Financial
Period Ended
31/03/2006
RM'000**

7 Financing, advances and other financing

(i) By type

Cash line	8,147
Term financing	
- House financing	918,125
- Hire purchase receivable	3,404,261
- Lease receivable	15,694
- Other term financing	550,735
Claims on customers under acceptance credits	28,046
Staff financing	131
Trust receipts	52
Revolving credit	2,908
Others	1,508
	4,929,607
Less: Unearned income	(989,708)
	3,939,899
Less: Allowance for bad and doubtful financing	
- General	(58,708)
- Specific	(26,602)
Total net financing, advances and other financing	3,854,589

(ii) By contract

Bai' Bithaman Ajil (deferred payment sale)	849,173
Ijarah (lease)	14,241
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,983,369
Murabahah (cost-plus)	7,806
	3,854,589

(iii) By type of customer

Domestic non-bank financial institutions	
- Others	21
Domestic business enterprises	
- Small medium enterprise	331,282
- Others	503,195
Individuals	3,088,109
Other domestic entities	876
Foreign entities	16,416
	3,939,899

(iv) By profit rate sensitivity

Fixed rate	
- House financing	288,255
- Hire purchase receivable	2,983,369
- Others	619,171
Variable rate	
- House financing	49,104
	3,939,899

**Financial
Period Ended
31/03/2006
RM'000**

(v) By sector

Agriculture, hunting, forestry & fishing	77,072
Mining and quarrying	3,713
Manufacturing	170,753
Electricity, gas and water	8,312
Construction	79,054
Real estate	42,280
Purchase of landed property:	
- Residential	467,575
- Non-residential	92,502
Wholesale & retail trade and restaurant & hotels	176,340
Transport, storage and communication	61,168
Finance, insurance and business services	82,249
Purchase of securities	3,517
Purchase of transport vehicles	2,606,279
Consumption credit	10,538
Others	58,547
	3,939,899

8 Non-performing financing

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

Amount transferred from HLB	70,437
Classified as non-performing during the period	176,033
Reclassified as performing	(145,405)
Amount recovered	(23,730)
At end of period	77,335
Less: Specific allowance	(26,602)
Net non-performing financing, advances and other financing	50,733
Ratio of net non-performing financing, advances and other financing to total net financing, advances and other financing	1.3%

**Financial
Period Ended
31/03/2006
RM'000**

(ii) Movements in allowance for bad and doubtful financing

General allowance

Amount transferred from HLB	55,009
Allowance provided	3,891
Allowance written back	(192)
At end of period	58,708

As % of gross financing, advances and other financing less specific allowance	1.5%
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Specific allowance

Amount transferred from HLB	13,063
Allowance provided	17,894
Amount recovered	(4,288)
Amount written off	(67)
At end of period	26,602

(iii) NPF by sector

Agriculture, hunting, forestry & fishing	118
Mining and quarrying	-
Manufacturing	204
Electricity, gas and water	84
Construction	720
Real estate	660
Purchase of landed property:	
- Residential	24,614
- Non-residential	12,654
Wholesale & retail trade and restaurant & hotels	802
Transport, storage and communication	295
Finance, insurance and business services	721
Purchase of securities	2,088
Purchase of transport vehicles	33,182
Consumption credit	636
Others	557
	77,335

**Financial
Period Ended
31/03/2006
RM'000**

9 Deposits from customer

(i) By type of deposit

Non-Mudharabah

Demand deposits	113,055
Savings deposits	390,408
Negotiable instruments of deposit	1,591,320
Others	1,484
	2,096,267

Mudharabah

Demand deposits	51,578
Savings deposits	212,611
General investment deposits	3,107,585
	3,371,774

5,468,041

(ii) By type of customer

Government	577,857
Business enterprise	2,766,304
Individuals	842,043
Others	1,281,837
	5,468,041

10 Deposits and placements of banks and other financial institutions

Mudharabah

Licensed banks	215,000
Other financial institutions	10,256
	225,256
	225,256

11 Other Liabilities

Amount due to holding company	114,962
Profit equalisation reserves	6,998
Provision for zakat	67
Profit payable	33,759
Others	4,577
	160,363

12 Income derived from investment of deposits' funds and others

Income derived from investment of :	
- General investment deposits	123,018
- Other deposits	93,742
	216,760

(i) Income derived from investment of general investment deposits

Finance income and hibah

Financing, advances and other financing	90,059
Securities Held-for-trading	4,862
Securities Available- for-sale	1,702
Securities Held-to-maturity	4,669
Money at call and deposit with financial institutions	17,654
	118,946

Amortisation of premium less accretion of discount	1,840
Total finance income and hibah	120,786

Other operating income

Fee and commission	
- Commission	140
- Service Charges & fees	766
Guarantee fees	1
- Other fees income	1,087
Gain/(loss) from sale of available-for-sale securities	230
Gain/(loss) from sale of held-to-maturity securities	23
Gain/(loss) from sale of held-for-trading securities	(215)
Unrealised gain/(loss) on revaluation of held-for-trading securities	171
Others	29
	2,232
	123,018

**Financial
Period Ended
31/03/2006
RM'000**

(ii) Income derived from investment of other deposits

Finance income and hibah

Financing, advances and other financing	68,628
Securities Held-for-trading	3,705
Securities Available- for-sale	1,297
Securities Held-to-maturity	3,558
Money at call and deposit with financial institutions	13,453
	90,641

Amortisation of premium less accretion of discount	1,402
Total finance income and hibah	92,043

Other operating income

Fee and commission	
- Commission	106
- Service Charges & fees	584
- Other fees income	829
Gain/(loss) from sale of available-for-sale securities	175
Gain/(loss) from sale of held-to-maturity securities	17
Gain/(loss) from sale of held-for-trading securities	(164)
Unrealised gain/(loss) on revaluation of held-for-trading securities	130
Others	22
	1,699

93,742

**Financial
Period Ended
31/03/2006
RM'000**

13 Income derived from investment of shareholder's fund

Finance income and hibah

Financing, advances and other financing	15,418
Securities Held-for-trading	832
Securities Available- for-sale	291
Securities Held-to-maturity	800
Money at call and deposit with financial institutions	3,022
	20,363

Amortisation of premium less accretion of discount	316
Total finance income and hibah	20,679

Other operating income

Fee and commission	
- Commission	24
- Service Charges & fees	131
- Other fees income	186
Gain/(loss) from sale of available-for-sale securities	40
Gain/(loss) from sale of held-to-maturity securities	4
Gain/(loss) from sale of held-for-trading securities	(36)
Unrealised gain/(loss) on revaluation of held-for-trading securities	29
Others	5
	383
	21,062

14 Allowance for losses on financing

Allowance for bad and doubtful financing	
(a) Specific allowance	
- Provided	17,894
-Written back	(4,288)
(b) General allowance	
- Provided	3,890
- Written back	(192)
Bad debts on financing	
- Recovered	(2,108)
- Written off	173
	15,369

**Financial
Period Ended
31/03/2006
RM'000**

15 Income attributable to the depositors

Deposits from customers	
- Mudharabah	83,724
- Non-Mudharabah	14,663
Deposits and placements of banks and other financial institutions	
- Mudharabah	20,323
	<u>118,710</u>

16 Capital adequacy

Tier I capital

Paid-up share capital	500,000
Other Reserves	-
	<u>500,000</u>
Less: Deferred tax assets/(liabilities)	-
Total Tier I capital	<u>500,000</u>

Tier II capital

General allowance for bad and doubtful financing	58,708
Total Tier II capital	<u>58,708</u>

Capital base

558,708

Core capital ratio	12.37%
Risk-weighted capital ratio	13.82%
Core capital ratio net of proposed dividends	12.37%
Risk-weighted capital ratio net of proposed dividends	13.82%

17 Commitments and contingencies

**Financial Period Ended
31/03/2006**

	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Transaction-related contingent items	283	141	141
Short-term self-liquidating trade-related contingencies	11,024	2,205	2,205
Other assets sold with recourse and commitment with certain drawdown	1,810	1,810	1,810
Irrecoverable commitments to extend credit:			
- Maturity not exceeding one year	34,335	-	-
- Maturity exceeding one year	331,246	165,623	165,623
Foreign exchange related contracts:			
- Less than one year	925	-	-
	<u>379,623</u>	<u>169,779</u>	<u>169,779</u>

18 Profit rate risk

	Non-trading book					Non-profit sensitive	Trading book	Total	Effective profit rate %
	Up to 1 month	> 1-3 months	> 3-12 months	1-5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets									
Cash and short term funds	210,000	-	-	-	-	-	-	210,000	3.2%
Deposits & placement with banks & other financial institutions	1,461,252	-	-	-	-	3,458	-	1,464,710	3.2%
Securities Held-for-trading	-	-	-	-	-	-	284,184	284,184	3.0%
Securities Available-for-sale	-	-	10,128	111,009	35,000	(1,257)	-	154,880	4.6%
Securities Held-for-maturity	-	24,268	169,945	410,310	-	8,428	-	612,951	3.5%
Financing, advances and other financing									
- performing	51,098	5,948	241,424	2,139,476	1,425,933	-	-	3,863,879	6.1%
- non-performing	-	-	-	-	-	(9,290)	-	(9,290)	
Other assets	-	-	-	-	-	385,975	-	385,975	
Total assets	1,722,350	30,216	421,497	2,660,795	1,460,933	387,314	284,184	6,967,289	
Liabilities									
Deposits from customers	2,203,699	1,658,192	1,481,304	124,846	-	-	-	5,468,041	2.9%
Deposits & placement of banks & other financial institutions	-	190,256	35,000	-	-	-	-	225,256	3.3%
Obligations on securities sold under repurchase agreements	579,162	-	-	-	-	-	-	579,162	2.9%
Bills and acceptance payable	76	89	120	-	-	511	-	796	3.3%
Other liabilities	-	-	-	-	-	161,629	-	161,629	
Total liabilities	2,782,937	1,848,537	1,516,424	124,846	-	162,140	-	6,434,884	
Shareholder's funds	-	-	-	-	-	532,405	-	532,405	
Total liabilities and shareholder's funds	2,782,937	1,848,537	1,516,424	124,846	-	694,545	-	6,967,289	
On-balance sheet profit sensitivity gap	(1,060,587)	(1,818,321)	(1,094,927)	2,535,949	1,460,933	(307,231)	284,184	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	(1,060,587)	(1,818,321)	(1,094,927)	2,535,949	1,460,933	(307,231)	284,184	-	