

**Hong Leong Islamic Bank Berhad**  
**Unaudited Balance Sheet As At 31 December 2005**

	Note	Financial Period Ended 31/12/2005 RM'000
<b><u>ASSETS</u></b>		
Cash and short-term funds	4	434,000
Deposits and placements with banks and other financial institutions	5	937,215
Securities Held-for-trading	6 (i)	716,931
Securities Available-for-sale	6 (ii)	108,450
Securities Held-to-maturity	6 (iii)	636,397
Financing, advances and other financing	7	3,742,363
Other assets		23,099
Statutory deposits with Bank Negara Malaysia		124,924
Property, plant and equipment		2,183
Deferred tax assets		19,288
<b>Total Assets</b>		<b><u><u>6,744,850</u></u></b>
<b><u>LIABILITIES AND SHAREHOLDER'S FUNDS</u></b>		
Deposits from customers	9	5,277,540
Deposits and placements of banks and other financial institutions	10	198,126
Obligations on securities sold under repurchase agreements		606,443
Bills and acceptance payable		857
Other liabilities	11	133,126
Provision for taxation		6,821
<b>Total Liabilities</b>		<b><u><u>6,222,913</u></u></b>
Share Capital		500,000
Reserves		21,937
<b>Total Shareholder's Funds</b>		<b><u><u>521,937</u></u></b>
<b>Total Liabilities and Shareholder's Funds</b>		<b><u><u>6,744,850</u></u></b>
<b><u>COMMITMENTS AND CONTINGENCIES</u></b>	17	<b><u><u>476,097</u></u></b>
<b><u>CAPITAL ADEQUACY</u></b>		
Core capital ratio	16	13.68%
Risk-weighted capital ratio	16	15.25%
Core capital ratio net of proposed dividends	16	13.68%
Risk-weighted capital ratio net of proposed dividends	16	15.25%
Net tangible asset per share (RM)		1.04

**Hong Leong Islamic Bank Berhad**  
**Unaudited Income Statement**  
**For The Financial Period Ended 31 December 2005**

	<b>Note</b>	<b>From The Date Of Incorporation 28/03/2005 To 31/12/2005 RM'000</b>
Income derived from investment of deposits' funds and others	<b>12</b>	140,490
Income derived from investment of shareholder's funds	<b>13</b>	13,393
Allowance for losses on financing	<b>14</b>	(9,154)
Provision for commitments and contingencies		-
Impairment loss		-
Profit equalisation reserve		3,975
Other expenses directly attributable to the investment of the deposits and shareholder's funds		-
<b>Total distributable income</b>		<b>148,704</b>
Income attributable to the depositors	<b>15</b>	(74,312)
<b>Total net income</b>		<b>74,392</b>
Other operating expenses		(42,037)
<b>Profit before taxation and zakat</b>		<b>32,355</b>
Zakat		(30)
Taxation		(9,131)
<b>Profit after taxation and zakat</b>		<b>23,194</b>
Profit attributable to shareholder		<b>23,194</b>
Earnings per share - basic (sen)		<b>4.64</b>
Earnings per share - fully diluted (sen)		<b>4.64</b>

**Hong Leong Islamic Bank Berhad**  
**Unaudited Statements Of Changes In Shareholder's Equity**  
**For The Financial Period Ended 31 December 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	-	-	-	23,194	23,194
Transfer to statutory reserve	-	-	11,597	(11,597)	-
Unrealised net gain arising from change in fair value of available-for- sale securities	-	(1,257)	-	-	(1,257)
<b>Balance as at 31/12/2005</b>	<b>500,000</b>	<b>(1,257)</b>	<b>11,597</b>	<b>11,597</b>	<b>521,937</b>

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

	Financial Period Ended 31/12/2005 RM'000
<b>Cash Flows from Operating Activities</b>	
Profit before zakat and taxation	32,355
Adjustments for :	
Depreciation	95
Allowance for losses on financing	9,154
Loss on disposal of investment	414
Operating profit before working capital changes	42,018
Changes in working capital:	
Deposit and placement with banks and other financial Institutions	(937,215)
Financing and advances	(3,751,517)
Statutory deposits with Bank Negara Malaysia	(124,924)
Other assets	(42,387)
Deposits from customers	5,277,540
Deposits and placements of banks and other financial institutions	198,126
Obligations on securities sold under repurchase agreements	606,443
Bill payable	857
Other liabilities	133,096
Cash generated from operations	1,402,037
Zakat paid	-
Income taxes paid	(2,310)
Net cash generated from operating activities	1,399,727
<b>Cash Flows from Investing Activities</b>	
Purchase of property, plant and equipment	(2,278)
Purchase of investments (net)	(1,463,449)
Net cash used in investing activities	(1,465,727)
<b>Cash Flows from Financing Activities</b>	
Issuance of paid-up capital	500,000
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	434,000
<b>Cash and Cash Equivalents at Beginning of Financial Period</b>	-
<b>Cash and Cash Equivalents at End of Financial Period</b>	434,000

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

## **Notes To The Unaudited Financial Statements For The Financial Period Ended 31 December 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 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 RM3.8 billion and the Deposits from customer at RM5.3 billion. Financing to deposit ratio stood at 72%.

The core capital ratio and risk-weighted capital ratio stood at 13.68% and 15.25% respectively as at 31 December 2005, 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 will continue to actively participate as one of the key players in the industry, in line with the government's pursuit and commitment to establish Malaysia as the foremost regional centre for Islamic finance. HLIB will endeavour to develop more innovative products that are compliant with Syariah principles; to achieve better growth, expand market share, and continue to further diversify its product range.

**Financial  
Period Ended  
31/12/2005  
RM'000**

**4 Cash and short-term funds**

Money at call and interbank placements with remaining maturity not exceeding one month	434,000
	<b>434,000</b>

**5 Deposits and placements with banks and other financial institutions**

Bank Negara Malaysia	910,000
Licensed finance companies	25,000
Other financial institutions	2,215
	<b>937,215</b>

**6 Securities**

**i) Securities Held-for-trading**

BNM Bills	294,723
Malaysian Government Treasury bills	17,715
Negotiable instruments of deposit	404,493
	<b>716,931</b>

**ii) Securities Available-for-sale**

Cagamas bonds	98,589
Private debt securities	9,861
	<b>108,450</b>

**iii) Securities Held-to-maturity**

Government investment issue	121,268
Cagamas bonds	440,657
Khazanah bonds	9,027
Unquoted securities	575
Private debt securities	64,870
	<b>636,397</b>

**Financial  
Period Ended  
31/12/2005  
RM'000**

**7 Financing, advances and other financing**

**(i) By type**

Cash line	9,128
Term financing	
- House financing	896,421
- Hire purchase receivable	3,304,892
- Lease receivable	14,918
- Other term financing	523,388
Claims on customers under acceptance credits	28,069
Staff financing	141
Revolving credit	3,340
Others	1,582
	4,781,879
Less: Unearned income	(961,299)
	3,820,580
Less: Allowance for bad and doubtful financing	
- General	(57,026)
- Specific	(21,191)
Total net financing, advances and other financing	3,742,363

**(ii) By contract**

Bai' Bithaman Ajil (deferred payment sale)	907,817
Ijarah (lease)	13,458
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,890,588
Murabahah (cost-plus)	8,717
	3,820,580

**(iii) By type of customer**

Domestic non-bank financial institutions	
- Others	24
Domestic business enterprises	
- Small medium enterprise	343,606
- Others	470,377
Individuals	2,989,269
Other domestic entities	1,192
Foreign entities	16,112
	3,820,580

**(iv) By profit rate sensitivity**

Fixed rate	
- House financing	295,761
- Hire purchase receivable	2,890,588
- Others	585,979
Variable rate	
- House financing	48,252
	3,820,580

**Financial  
Period Ended  
31/12/2005  
RM'000**

**(v) By sector**

Agriculture, hunting, forestry & fishing	77,435
Mining and quarrying	3,542
Manufacturing	168,285
Electricity, gas and water	7,283
Construction	79,655
Real estate	44,313
Purchase of landed property:	
- Residential	453,282
- Non-residential	80,953
Wholesale & retail trade and restaurant & hotels	166,806
Transport, storage and communication	45,265
Finance, insurance and business services	80,450
Purchase of securities	3,943
Purchase of transport vehicles	2,526,206
Consumption credit	9,434
Others	73,728
	<b>3,820,580</b>

**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	122,169
Reclassified as performing	(95,829)
Amount recovered	(14,596)
At end of period	<b>82,181</b>
Less: Specific allowance	(21,191)
Net non-performing financing, advances and other financing	<b>60,990</b>
Ratio of net non-performing financing, advances and other financing to total net financing, advances and other financing	<b>1.6%</b>

**Financial  
Period Ended  
31/12/2005  
RM'000**

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

**General allowance**

Amount transferred from HLB	55,009
Allowance provided	2,209
Allowance written back	(192)
At end of period	<b>57,026</b>

As % of gross financing, advances and other financing less specific allowance	<b>1.5%</b>
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**Specific allowance**

Amount transferred from HLB	13,063
Allowance provided	10,826
Amount recovered	(2,631)
Amount written off	(67)
At end of period	<b>21,191</b>

**(iii) NPF by sector**

Agriculture, hunting, forestry & fishing	8
Mining and quarrying	-
Manufacturing	186
Electricity, gas and water	117
Construction	1,125
Real estate	677
Purchase of landed property:	
- Residential	25,108
- Non-residential	12,754
Wholesale & retail trade and restaurant & hotels	766
Transport, storage and communication	288
Finance, insurance and business services	1,081
Purchase of securities	3,854
Purchase of transport vehicles	33,065
Consumption credit	547
Others	2,605
	<b>82,181</b>

**Financial  
Period Ended  
31/12/2005  
RM'000**

**9 Deposits from customer**

**(i) By type of deposit**

**Non-Mudharabah**

Demand deposits	83,315
Savings deposits	389,049
Negotiable islamic debt certificates	874,114
Others	1,758
	1,348,236

**Mudharabah**

Demand deposits	27,242
Savings deposits	199,838
General investment deposits	3,702,224
	3,929,304

**5,277,540**

**(ii) By type of customer**

Business enterprise	2,343,445
Individuals	689,912
Others	2,244,183
	<b>5,277,540</b>

**10 Deposits and placements of banks and other financial institutions**

**Mudharabah**

Licensed banks	133,126
Other financial institutions	65,000
	<b>198,126</b>

**11 Other Liabilities**

Amount due to holding company	98,870
Profit equalisation reserves	8,498
Provision for zakat	67
Profit payable	21,475
Others	4,216
	<b>133,126</b>

**12 Income derived from investment of deposits' funds and others**

Income derived from investment of :	
- General investment deposits	94,989
- Other deposits	45,501
	<b>140,490</b>

**Financial  
Period Ended  
31/12/2005  
RM'000**

**(i) Income derived from investment of general investment deposits**

**Finance income and hibah**

Financing, advances and other financing	70,410
Securities Held-for-trading	3,961
Securities Available- for-sale	1,157
Securities Held-to-maturity	2,919
Money at call and deposit with financial institutions	13,081
	91,528

Amortisation of premium less accretion of discount	1,609
Total finance income and hibah	93,137

**Other operating income**

Fee and commission	
- Commission	118
- Service Charges & fees	673
- Other fees income	822
Gain/(loss) from sale of available-for-sale securities	48
Gain/(loss) from sale of held-for-trading securities	(304)
Unrealised gain/(loss) on revaluation of held-for-trading securities	466
Others	29
	1,852

**94,989**

**(ii) Income derived from investment of other deposits**

**Finance income and hibah**

Financing, advances and other financing	33,728
Securities Held-for-trading	1,897
Securities Available- for-sale	554
Securities Held-to-maturity	1,398
Money at call and deposit with financial institutions	6,266
	43,843

Amortisation of premium less accretion of discount	771
Total finance income and hibah	44,614

**Other operating income**

Fee and commission	
- Commission	56
- Service Charges & fees	322
- Other fees income	394
Gain/(loss) from sale of available-for-sale securities	23
Gain/(loss) from sale of held-for-trading securities	(145)
Unrealised gain/(loss) on revaluation of held-for-trading securities	223
Others	14
	887

**45,501**

**Financial  
Period Ended  
31/12/2005  
RM'000**

**13 Income derived from investment of shareholder's fund**

**Finance income and hibah**

Financing, advances and other financing	9,926
Securities Held-for-trading	559
Securities Available- for-sale	163
Securities Held-to-maturity	412
Money at call and deposit with financial institutions	1,845
	12,905

Amortisation of premium less accretion of discount	227
Total finance income and hibah	13,132

**Other operating income**

Fee and commission	
- Commission	17
- Service Charges & fees	95
- Other fees income	116
Gain/(loss) from sale of available-for-sale securities	7
Gain/(loss) from sale of held-for-trading securities	(43)
Unrealised gain/(loss) on revaluation of held-for-trading securities	65
Others	4
	261
	13,393

**14 Allowance for losses on financing**

Allowance for bad and doubtful financing

(a) Specific allowance	
- Provided	10,826
-Written back	(2,631)
(b) General allowance	
- Provided	2,209
- Written back	(192)
Bad debts on financing	
- Recovered	(1,191)
- Written off	133
	9,154

**Financial  
Period Ended  
31/12/2005  
RM'000**

**15 Income attributable to depositors**

Deposits from customers	
- Mudharabah	2,873
- Non-Mudharabah	56,791
Deposits and placements of banks and other financial institutions	
- Mudharabah	14,648
	<u>74,312</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	57,026
Total Tier II capital	<u>57,026</u>

**Capital base**

557,026

Core capital ratio	13.68%
Risk-weighted capital ratio	15.25%
Core capital ratio net of proposed dividends	13.68%
Risk-weighted capital ratio net of proposed dividends	15.25%

**17 Commitments and contingencies**

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

	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Transaction-related contingent items	173	87	87
Short-term self-liquidating trade-related contingencies	8,956	1,791	1,791
Irrecoverable commitments to extend credit:			
- Maturity not exceeding one year	32,342	-	-
- Maturity exceeding one year	425,557	212,779	212,779
Foreign exchange related contracts:			
- Less than one year	9,069	-	-
	<u>476,097</u>	<u>214,656</u>	<u>214,656</u>

18 Profit rate risk

	Non-trading book						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	Non- profit sensitive RM'000			
<b>Assets</b>									
Cash and short term funds	434,000	-	-	-	-	-	-	<b>434,000</b>	2.9%
Deposits & placement with banks & other financial institutions	935,000	-	-	-	-	2,215	-	<b>937,215</b>	2.9%
Securities Held-for-trading	-	-	-	-	-	-	716,931	<b>716,931</b>	2.8%
Securities Available-for-sale	-	-	-	74,660	35,000	(1,210)	-	<b>108,450</b>	4.2%
Securities Held-for-maturity	10,087	14,967	189,860	414,727	-	6,756	-	<b>636,397</b>	3.4%
Financing, advances and other financing									
- performing	44,611	11,195	207,047	1,987,999	1,487,547	-	-	<b>3,738,399</b>	6.2%
- non-performing	-	-	-	-	-	3,964	-	<b>3,964</b>	
Other assets	-	-	-	-	-	169,494	-	<b>169,494</b>	
<b>Total assets</b>	<b>1,423,698</b>	<b>26,162</b>	<b>396,907</b>	<b>2,477,386</b>	<b>1,522,547</b>	<b>181,219</b>	<b>716,931</b>	<b>6,744,850</b>	4.8%
<b>Liabilities</b>									
Deposits from customers	1,784,797	1,637,708	1,820,383	34,652	-	-	-	<b>5,277,540</b>	2.8%
Deposits & placement of banks & other financial institutions	153,126	45,000	-	-	-	-	-	<b>198,126</b>	2.7%
Obligations on securities sold under repurchase agreements	606,443	-	-	-	-	-	-	<b>606,443</b>	2.7%
Bills and acceptance payable	261	5	-	-	-	591	-	<b>857</b>	3.0%
Other liabilities	-	-	-	-	-	139,947	-	<b>139,947</b>	
<b>Total liabilities</b>	<b>2,544,627</b>	<b>1,682,713</b>	<b>1,820,383</b>	<b>34,652</b>	<b>-</b>	<b>140,538</b>	<b>-</b>	<b>6,222,913</b>	2.8%
Shareholder's funds						521,937		<b>521,937</b>	
<b>Total liabilities and shareholder's funds</b>	<b>2,544,627</b>	<b>1,682,713</b>	<b>1,820,383</b>	<b>34,652</b>	<b>-</b>	<b>662,475</b>	<b>-</b>	<b>6,744,850</b>	
On-balance sheet profit sensitivity gap	(1,120,929)	(1,656,551)	(1,423,476)	2,442,734	1,522,547	(481,256)	716,931	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
<b>Total profit sensitivity gap</b>	<b>(1,120,929)</b>	<b>(1,656,551)</b>	<b>(1,423,476)</b>	<b>2,442,734</b>	<b>1,522,547</b>	<b>(481,256)</b>	<b>716,931</b>	<b>-</b>	