



directors' report

for the financial year ended 30 June 2004

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 2004.

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.

The subsidiary companies are primarily engaged in licensed finance company business, leasing and hire purchase activities, real property investment, nominee services and trade finance activities. There has 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 outlook for the new financial year promises more changes in the banking landscape. We expect to see banks moving to consolidate their operations such as the merger of their finance and banking branches and a growing push in the Islamic banking business.

There is a likelihood of a rising interest rate scenario and coupled with the recent introduction of the interest rate framework, banks will have to move to be more efficient and hence spur competitiveness between lenders. Margins will continue to be under pressure.

The Bank will continue to embark on the transformation of its sales delivery channels, product development, people and service. We will also further build on group cross selling opportunities.

Consumer banking and personal financial services will remain as a dominant segment in our business, principally in mortgage, hire purchase, credit cards and wealth management. In particular, wealth management will be the catalyst for building lifelong relationship with the customer by offering innovative products and creating a rewarding experience for them. We will also grow business banking, with challenges to improve our cost to serve and to look into opportunities to grow higher Islamic and non-interest income via the consumer, business banking as well as treasury areas.

Underlying all the initiatives will be the need to align to market and customer changes, further enhance on a strong and effective credit and risk management discipline and continued efficiencies to enhance shareholders' value.

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 2004.

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.

FINANCIAL RESULTS

	The Group RM'000	The Bank RM'000
Profit before taxation and zakat	528,721	514,349
Taxation and zakat	(146,761)	(145,034)
Profit after taxation and zakat	381,960	369,315

DIVIDENDS

A final dividend of 18 sen per share less income tax at 28% and special tax-exempt dividend of 11 sen per share on 1,436,632,034 shares amounting to RM344,217,035 in respect of the year ended 30 June 2003 was paid on 23 October 2003.

During the year an interim dividend in respect of the year ended 30 June 2004 of 8.5 sen per share less income tax at 28% on 1,580,107,034 shares amounting to RM96,702,550, was paid on 30 March 2004.

The Directors propose a final dividend of 15.5 sen per share less income tax at 28%, payable upon shareholders' approval at the Annual General Meeting. Based on the Bank's issued and paid-up share capital of 1,580,107,034 as at 30 June 2004, the proposed final dividend less income tax at 28% would amount to RM176,339,945.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- The Bank had completed the special issue of 143,475,000 new ordinary shares of RM1.00 each in the Bank to Bumiputra investors at an issue price of RM4.00 per new share ("Special Issue"). The proceeds from the Special Issue had been utilised for working capital purposes.



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for the financial year ended 30 June 2004

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

- b. The Bank had, on 13 January 2004, announced that it had been granted a banking license by the Hong Kong Monetary Authority to carry out banking business in Hong Kong. The branch had commenced business on 23 April 2004.

SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR

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.

ISSUE OF SHARE CAPITAL

During the financial year, the issued and fully paid-up share capital of the Bank was increased from RM1,434,950,834 to RM1,580,107,034 by way of:

- (i) Special issue of 143,475,000 new ordinary shares of RM1.00 each in the Bank to Bumiputra investors at an issue price of RM4.00 per share.
- (ii) Issue of 1,642,200 new ordinary shares of RM1.00 each arising from the exercise of the options pursuant to the Bank's ESOS at the exercise price of RM3.70 per share.
- (iii) Issue of 39,000 new ordinary shares of RM1.00 each arising from the exercise of the options pursuant to the Bank's ESOS at the exercise price of RM3.44 per share.

The new shares issued pursuant to the Special Issue rank pari passu in all respects with the existing issued shares of the Bank except that they were not entitled to any dividends declared for the financial year ended 30 June 2003.

The new shares issued arising from the exercise of the options pursuant to the Bank's ESOS rank pari passu in all respects with the existing issued shares of the Bank.

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
Ms Yvonne Chia
En Zulkiflee Hashim
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
(appointed on 20 July 2004)
YBhg Dato' James Lim Cheng Poh
(retired on 16 October 2003)
YBhg Datuk Roger Tan Kim Hock
(resigned on 25 June 2004)

In accordance with Article 113 of the Bank's Articles of Association, En Zulkiflee Hashim, Mr Kwek Leng Hai and Mr Kwek Leng Seng, retire by rotation from the Board and being eligible, offer themselves for re-election.

In accordance with Article 92 of the Bank's Articles of Association, Mr Tsui King Chung, David, retires from the Board and being eligible, offers himself for re-election.



directors' report (continued)

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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 2004, 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 1.7.2003	Acquired/ Bonus issue+	Sold/ options exercised	As at 30.6.2004
RM					
Interests of YBhg Tan Sri Quek Leng Chan in:					
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	10,887,600	159,000	-	11,046,600
		159,000*	-	159,000*	-
Hong Leong Industries Berhad	0.50	1,268,000	-	-	1,268,000
		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	34,000	4,000,000	-	4,034,000
Narra Industries Berhad (formerly known as Hume Cemboard Berhad)	1.00	8,231,400	32,925,600+	61,200	8,170,200
				32,925,600 φ	
Interests of Mr Kwek Leng Hai in:					
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	-	-	756,000
		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
Interests of YBhg Datuk Dr Hussein Awang in:					
Hong Leong Bank Berhad	1.00	55,000	17,100	72,100	-
Hong Leong Industries Berhad	0.50	-	17,100	17,100	-
Interests of Mr Kwek Leng Seng in:					
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
Interest of En Zulkiflee Hashim in:					
Hong Leong Bank Berhad	1.00	-	162,000	162,000	-
		258,000*	-	162,000*	96,000*
Interest of Mr Chew Peng Cheng in:					
Hong Leong Bank Berhad	1.00	819,873	-	-	819,873

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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 1.7.2003	Acquired/ Bonus issue+	Sold/ options exercised	As at 30.6.2004
RM					
Interests of YBhg Tan Sri Quek Leng Chan in:					
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
Guoco Group Limited	USD0.50	210,808,572 ♦	7,360,312	-	218,168,884
GuocoLand Limited	SGD1.00	458,785,229 ♦	-	-	458,785,229
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
Shanghai Xinhaozhong Property Development Co., Ltd	#	19,600,000 ♦	-	-	19,600,000
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 ∞	-	-	23,725,995
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 ∞	-	-	11,400,000
Hong Leong Credit Berhad	1.00	830,111,754	3,745,300	20,033,500	813,823,554
HLG Capital Berhad	1.00	92,590,545	-	-	92,590,545
Hong Leong Bank Berhad	1.00	960,801,500	-	9,228,000	951,573,500
Hong Leong Industries Berhad	0.50	130,571,000	1,563,500	2,000,000	130,134,500
		39,439,435 *	3,000 *	2,000 *	39,440,435 *
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	17,920,000	1,680,000	-	19,600,000
Hong Leong Maruken Sdn Bhd	1.00	1,750,000	-	-	1,750,000
(In members' voluntary liquidation)					
Guocera Tile Industries (Labuan) Sdn Bhd	1.00	6,545,001	-	-	6,545,001
Varinet Sdn Bhd (formerly known as Quayline Fairprice Sdn Bhd)	1.00	9,600,000	960,627	-	10,560,627
(In members' voluntary liquidation)					

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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 1.7.2003	Acquired/ Bonus issue+	Sold/ options exercised	As at 30.6.2004
RM					
Interests of YBhg Tan Sri Quek Leng Chan in:					
RZA Logistics Sdn Bhd	1.00	9,195,270	-	-	9,195,270
Malaysian Pacific Industries Berhad	0.50	122,939,009	1,479,300	10,440,700	113,977,609
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	1.00	69,886,350	34,178	-	69,920,528
Guolene Plastic Films Sdn Bhd	1.00	9,350,002	-	-	9,350,002
Hume Industries (Malaysia) Berhad	1.00	111,328,294	8,700,000	4,422,400	115,605,894
Hume Furniture Industries Sdn Bhd	1.00	11,880,000	1,320,000	-	13,200,000
Narra Industries Berhad (formerly known as Hume Cemboard Berhad)	1.00	42,710,000	168,744,400+	4,406,000 168,744,400φ	38,304,000
Interest of Mr Chew Peng Cheng in:					
Hong Leong Bank Berhad	1.00	4,674,666	-	-	4,674,666

Note:

- φ Cancellation of shares pursuant to capital reduction.
- ◆ Shareholding as at 6 April 2004 as the corporation became a related corporation.
- ∞ Shareholding as at 23 April 2004 as the corporation became a related corporation.
- ^ Capital contribution in RMB.
- # Capital contribution in USD.
- Ω Capital contribution in HKD.



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for the financial year ended 30 June 2004

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.
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 2003	6,325,000	71,000
Lapsed	(531,600)	(8,400)
Exercised	(3,662,000)	(52,600)
At 30 June 2004	2,131,400	10,000

The 2,033,400 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.



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for the financial year ended 30 June 2004

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.

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 2004 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
27 August 2004

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as at 30 June 2004

	Note	The Group		The Bank	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Assets					
Cash and short-term funds	3	13,935,646	7,699,427	10,166,102	4,615,488
Deposits and placements with financial institutions	4	2,985,080	2,492,598	2,345,580	1,722,498
Dealing securities	5	2,371,508	7,694,779	2,369,650	5,918,395
Investment securities	6	4,507,210	1,839,698	4,115,065	1,347,429
Loans, advances and financing	7	22,970,195	22,536,156	15,546,040	13,406,545
Other assets	8	1,193,878	202,582	1,179,199	178,478
Statutory deposits with Bank Negara Malaysia	9	691,988	727,480	379,500	381,178
Tax recoverable		15,290	-	15,290	-
Investment in subsidiary companies	10	-	-	395,841	695,841
Fixed assets	11	246,964	243,811	172,874	162,640
Deferred tax assets	12	142,646	132,071	93,800	82,403
Total assets		49,060,405	43,568,602	36,778,941	28,510,895
Liabilities					
Deposits from customers	13	37,802,258	35,999,436	26,123,219	21,628,636
Deposits and placements of banks and other financial institutions	14	1,451,519	390,253	1,657,469	607,003
Obligations on securities sold under repurchase agreements		3,594,893	1,510,639	3,594,893	1,510,639
Bills and acceptances payable		1,248,308	1,181,771	1,242,679	1,181,771
Amounts due to Cagamas		-	27,095	-	27,095
Other liabilities	15	468,644	447,730	321,274	202,418
Provision for taxation		69,285	104,153	-	19,254
Total liabilities		44,634,907	39,661,077	32,939,534	25,176,816
Share capital	16	1,580,107	1,434,951	1,580,107	1,434,951
Reserves	17	2,845,391	2,472,574	2,259,300	1,899,128
Shareholders' funds		4,425,498	3,907,525	3,839,407	3,334,079
Total liabilities and shareholders' funds		49,060,405	43,568,602	36,778,941	28,510,895
Commitments and contingencies	29	20,200,101	15,250,458	19,407,750	13,956,949

The above balance sheets are to be read in conjunction with the notes to the financial statements on pages 45 to 124 .

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	Note	The Group		The Bank	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Interest income	18	2,072,604	2,174,075	1,309,683	1,201,133
Interest expense	19	(1,017,823)	(1,034,713)	(652,590)	(587,462)
Net interest income		1,054,781	1,139,362	657,093	613,671
Income from Islamic Banking Operations	42	109,364	113,140	21,838	18,788
		1,164,145	1,252,502	678,931	632,459
Non-interest income	20	230,076	231,932	536,876	789,032
		1,394,221	1,484,434	1,215,807	1,421,491
Overhead expenses	21	(498,063)	(470,875)	(421,408)	(325,881)
Profit before provision		896,158	1,013,559	794,399	1,095,610
Loan and financing loss and provision	22	(367,437)	(211,673)	(280,050)	(162,834)
Profit before taxation and zakat		528,721	801,886	514,349	932,776
Taxation and zakat	25	(146,761)	(221,053)	(145,034)	(263,952)
Profit after taxation and zakat		381,960	580,833	369,315	668,824
Earnings per share (sen):	26				
- basic		24.5	40.5	23.7	46.6
- fully diluted		24.5	40.5	23.7	46.6
Dividend per share (sen):					
- interim dividend of 8.5 sen (2003: 6 sen) less tax		6.1	4.3	6.1	4.3
- proposed final dividend of 15.5 sen (2003: 18 sen) less tax		11.2	13.0	11.2	13.0
- special tax exempt dividend proposed of nil sen (2003: 11 sen)		-	11.0	-	11.0
		17.3	28.3	17.3	28.3

The above income statements are to be read in conjunction with the notes to the financial statements on pages 45 to 124 .

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for the financial year ended 30 June 2004

The Group	Note	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Merger deficit RM'000	Exchange fluctuation reserve RM'000	Retained profit RM'000	Total RM'000
Balance as at 1 July 2002		1,433,211	104,096	1,210,762	(73,800)	33,398	752,027	3,459,694
Net gains and losses not recognised in the income statement - currency translation differences		-	-	-	-	13	-	13
Profit after taxation and zakat		-	-	-	-	-	580,833	580,833
Transfer to statutory reserve		-	-	413,828	-	-	(413,828)	-
Dividends paid:								
- final dividend for year ended 30 June 2002	27	-	-	-	-	-	(77,462)	(77,462)
- interim dividend for year ended 30 June 2003	27	-	-	-	-	-	(61,976)	(61,976)
Issued upon exercise of share options		1,740	4,683	-	-	-	-	6,423
Balance as at 30 June 2003		1,434,951	108,779	1,624,590	(73,800)	33,411	779,594	3,907,525
Balance as at 1 July 2003		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	27	-	-	-	-	-	(344,217)	(344,217)
- interim dividend for year ended 30 June 2004	27	-	-	-	-	-	(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)
Balance as at 30 June 2004		1,580,107	539,664	1,716,919	(73,800)	34,303	628,305	4,425,498

The above statements of changes in equity are to be read in conjunction with the notes to the financial statements on pages 45 to 124 .

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statements of changes in equity (continued)

for the financial year ended 30 June 2004

The Bank	Note	Share capital RM'000	Share premium RM'000	Exchange Statutory reserve RM'000	fluctuation reserve RM'000	Retained profit RM'000	Total RM'000
Balance as at 1 July 2002		1,433,211	104,096	776,026	33,398	451,526	2,798,257
Net gains and losses not recognised in the income statement - currency translation differences		-	-	-	13	-	13
Profit after taxation and zakat		-	-	-	-	668,824	668,824
Transfer to statutory reserve		-	-	334,412	-	(334,412)	-
Dividends paid:							
- final dividend for year ended 30 June 2002	27	-	-	-	-	(77,462)	(77,462)
- interim dividend for year ended 30 June 2003	27	-	-	-	-	(61,976)	(61,976)
Issued upon exercise of share options		1,740	4,683	-	-	-	6,423
Balance as at 30 June 2003		1,434,951	108,779	1,110,438	33,411	646,500	3,334,079
Balance as at 1 July 2003		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	27	-	-	-	-	(344,217)	(344,217)
- interim dividend for year ended 30 June 2004	27	-	-	-	-	(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)
Balance as at 30 June 2004		1,580,107	539,664	1,202,767	34,303	482,566	3,839,407

The above statements of changes in equity are to be read in conjunction with the notes to the financial statements on pages 45 to 124 .

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cash flow statements

for the financial year ended 30 June 2004

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash flows from operating activities				
Profit before taxation and zakat	528,721	801,886	514,349	932,776
Adjustment for:				
Depreciation	43,360	42,888	32,390	31,173
Net (profit)/loss on disposal of fixed assets	(1,246)	(1,238)	213	(880)
Fixed assets written off	1,977	366	40	48
Provision for bad and doubtful debts and financing	418,620	248,113	320,386	190,558
Net interest/income suspended	132,407	127,737	78,054	66,347
Accretion of discount less amortisation of premium	14,124	(2,706)	13,927	2,172
Writeback/(provision) for diminution in value of investment securities	6,248	(5,593)	10,232	(4,793)
Investment income	(102,702)	(37,730)	(86,424)	(22,913)
Dividend income from subsidiary companies	-	-	(330,000)	(593,800)
Operating profit before working capital changes	1,041,509	1,173,723	553,167	600,688
(Increase)/decrease in operating assets				
Deposits and placements with financial institutions	(486,994)	1,491,292	(617,594)	651,592
Loans, advances and financing	(971,403)	470,905	(2,524,272)	(1,117,848)
Dealing securities	5,323,396	(3,419,631)	3,548,870	(2,132,043)
Other assets	(992,384)	159,116	(1,001,809)	161,950
Statutory deposit with Bank Negara Malaysia	35,492	99,344	1,678	(5,828)
Increase/(decrease) in operating liabilities				
Deposits from customers	1,764,222	1,918,182	4,455,983	2,390,327
Deposits and placements of banks and other financial institutions	1,056,358	(830,708)	1,045,558	(306,278)
Bills and acceptances payable	66,285	(217,376)	60,655	(217,374)
Securities sold under repurchase agreements	2,084,254	(436,605)	2,084,254	(436,605)
Amounts due to Cagamas	(27,095)	(295,662)	(27,095)	(2,959)
Other liabilities	20,971	(22,652)	118,913	8,955
Cash generated from/(used in) operations	8,914,611	89,928	7,698,308	(405,423)
Income taxes and zakat paid	(207,380)	(220,236)	(98,460)	(91,091)
Net cash generated from/(used in) operating activities	8,707,231	(130,308)	7,599,848	(496,514)

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cash flow statements (continued)

for the financial year ended 30 June 2004

		The Group		The Bank	
	Note	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash flows from investing activities					
Net purchase of investment securities		(2,666,490)	(416,144)	(2,770,867)	(825,861)
Purchase of fixed assets		(63,400)	(48,473)	(54,354)	(37,045)
Proceeds from sale of fixed assets		16,195	2,314	11,516	1,658
Interest received on investment securities		93,620	26,752	80,814	20,878
Dividend received on investment securities		3,376	9,940	370	1,897
Dividend received from subsidiary companies		-	-	237,600	427,536
Capital return on investment in subsidiary companies		-	-	300,000	3,000
Net cash used in investing activities		(2,616,699)	(425,611)	(2,194,921)	(407,937)
Cash flows from financing activities					
Proceeds from share issuance		576,041	6,423	576,041	6,423
Dividend paid		(440,920)	(139,438)	(440,920)	(139,438)
Net cash generated from/ (used in) financing activities		135,121	(133,015)	135,121	(133,015)
Net increase/(decrease) in cash and cash equivalents		6,225,653	(688,934)	5,540,048	(1,037,466)
Effects of exchange rate changes		10,566	(65)	10,566	(65)
Cash and cash equivalents at the beginning of year		7,699,427	8,388,426	4,615,488	5,653,019
Cash and cash equivalents at the end of year	3	13,935,646	7,699,427	10,166,102	4,615,488

The above cash flow statements are to be read in conjunction with the notes to the financial statements on pages 45 to 124 .

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notes to the financial statements

for the financial year ended 30 June 2004

1. BASIC OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Bank have been prepared in accordance with the applicable 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 Malaysian Accounting Standard Board ('MASB') Standard No. 21 Business Combinations. This standard is effective for accounting period commencing 1 July 2001. 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.

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.



notes to the financial statements (continued)

for the financial year ended 30 June 2004

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Recognition of fees and other income (continued)

Dividends from dealing and investment securities are recognised when received. Dividends from 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 permanently 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".

g. 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.



notes to the financial statements (continued)

for the financial year ended 30 June 2004

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Investment in subsidiary companies (continued)

Investment in subsidiary companies is stated at cost and is written down when the Directors consider that there is a permanent diminution 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	7 - 20
Computer equipment and software	20
Motor vehicles	20 - 25

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.



notes to the financial statements (continued)

for the financial year ended 30 June 2004

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Deferred taxation (continued)

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.

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.

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 plans

A defined contribution plan is a pension plan under which the Group and the Bank pay 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.

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.

The Group also previously operated a defined contribution scheme for eligible executives which was administered by the Hong Leong Group Executive Retirement Benefit Fund. The fund was liquidated in December 2003. The benefits payable on retirement were based on a fixed percentage contribution of the salary of the executive as accrued monthly in the executive's nominal account. The cost and liability in respect of the defined contribution scheme will be determined by an actuarial valuation to be conducted once in every three years by a qualified actuary. The last valuation was carried out in June 2001.



notes to the financial statements (continued)

for the financial year ended 30 June 2004

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Employee benefits (continued)

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 financial year, a trust has been set up to purchase the Bank's stocks from the open market as detailed in Note 40 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".

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.

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.

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. It is an amount payable by the Group and the Bank to comply with Shariah principles.

z. Profit equalisation reserve ("PER")

In relation to Islamic Banking, PER is a mechanism 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.



notes to the financial statements (continued)

for the financial year ended 30 June 2004

3. CASH AND SHORT-TERM FUNDS

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash and balances with banks and other financial institutions	537,143	414,095	363,899	322,606
Money at call and deposit placements maturing within one month	13,398,503	7,285,332	9,802,203	4,292,882
	13,935,646	7,699,427	10,166,102	4,615,488

4. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Bank Negara Malaysia ("BNM")	2,716,100	1,915,800	2,127,200	1,383,300
Licensed banks	44,186	159,000	44,186	29,000
Licensed finance companies	50,600	50,600	-	-
Other financial institutions	174,194	367,198	174,194	310,198
	2,985,080	2,492,598	2,345,580	1,722,498

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notes to the financial statements (continued)

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5. DEALING SECURITIES

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Money market instruments:				
BNM bills	139	2,481,372	139	2,481,372
Malaysian Government treasury bills	12,296	327,223	12,296	327,223
Malaysian Government securities	51,623	457,516	51,623	226,267
Malaysian Government investment certificates	-	545,338	-	367,777
Other Government securities	-	4,281	-	4,281
Cagamas bonds	19,991	71,380	19,991	71,380
Cagamas notes	-	233,403	-	233,403
Khazanah bonds	-	8,620	-	8,620
Danamodal bonds	-	119,158	-	86,094
Bankers' acceptances and Islamic accepted bills	1,858	1,011,558	-	43,096
Negotiable instruments of deposit	2,191,593	2,188,983	2,191,593	1,856,996
Quoted securities:				
Shares quoted in Malaysia	20,303	-	20,303	-
	2,297,803	7,448,832	2,295,945	5,706,509
Unquoted securities:				
Private debt securities	73,705	245,947	73,705	211,886
	2,371,508	7,694,779	2,369,650	5,918,395

i. Market value of quoted securities:

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Malaysian Government securities	51,710	457,713	51,710	226,267
Other Government securities	-	4,339	-	4,339
Cagamas bonds	20,005	71,430	20,005	71,430
Khazanah bonds	-	9,084	-	9,084
Shares	20,345	-	20,345	-

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notes to the financial statements (continued)

for the financial year ended 30 June 2004

6. INVESTMENT SECURITIES

	The Group		The Bank	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Malaysian Government securities	1,725,024	388,384	1,553,430	256,111
Malaysian Government investment certificates	244,112	80,000	204,112	-
Other Government securities	264,683	279,242	264,683	279,242
Cagamas bonds	1,545,092	75,517	1,526,666	36,711
Khazanah bonds	9,027	-	9,027	-
Danamodal bonds	-	68,569	-	18,841
Danaharta bonds	33,523	133,018	-	93,114
Negotiable instruments of deposit	5,704	5,567	5,704	5,567
	3,827,165	1,030,297	3,563,622	689,586
Quoted securities:				
Shares quoted in Malaysia	39,208	36,466	17,516	5,204
Loan stocks quoted in Malaysia	49,296	47,873	5,533	4,621
Shares quoted outside Malaysia	529	-	529	-
Foreign currency bonds	352,547	435,695	352,547	435,695
	4,268,745	1,550,331	3,939,747	1,135,106
Unquoted securities:				
Shares	36,390	30,642	19,442	13,694
Loan stocks	41,405	44,594	14,267	11,046
Private and Islamic debt securities	238,689	251,798	210,333	223,442
	4,585,229	1,877,365	4,183,789	1,383,288
Accretion of discount less amortisation of premium	(3,930)	12,014	(7,093)	(2,617)
Provision for diminution in value of investment securities:				
- quoted investments	(28,477)	(20,142)	(18,530)	(10,264)
- unquoted investments	(45,612)	(29,539)	(43,101)	(22,978)
	4,507,210	1,839,698	4,115,065	1,347,429



notes to the financial statements (continued)

for the financial year ended 30 June 2004

6. INVESTMENT SECURITIES (continued)

i. Market value of quoted securities:

	The Group		The Bank	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Malaysian Government securities	1,712,155	386,379	1,544,248	254,445
Other Government securities	264,831	279,799	264,831	279,799
Cagamas bonds	1,544,148	76,047	1,525,599	36,978
Khazanah bonds	9,291	-	9,291	-
Shares quoted in Malaysia	35,860	25,991	14,423	2,877
Loan stocks quoted in Malaysia	46,111	29,595	3,184	3,712
Shares quoted outside Malaysia	523	-	523	-
Foreign currency bonds	350,772	437,494	350,772	437,494

ii. The maturity structure of money market instruments held for investment is as follows:

	The Group		The Bank	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Maturing within:				
- one year	585,443	567,921	429,349	411,476
- one year to three years	1,806,364	453,290	1,778,736	269,524
- three years to five years	1,435,358	8,586	1,355,537	8,586
- over five years	-	500	-	-
	3,827,165	1,030,297	3,563,622	689,586

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notes to the financial statements (continued)

for the financial year ended 30 June 2004

7. LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Overdrafts	3,266,230	3,262,376	3,269,916	3,266,423
Term loans:				
- fixed rate	1,254,754	937,511	1,138,984	822,023
- floating rate	11,559,403	10,313,011	9,058,592	7,502,018
Hire purchase	6,543,447	8,401,259	386	468
Lease receivables	35,610	32,705	-	-
Credit/charge card receivables	807,095	759,362	807,095	759,362
Bills receivable	692,352	361,212	692,352	361,212
Trust receipts	244,136	293,391	244,136	293,391
Claims on customers under acceptance credits	1,714,589	1,587,058	1,708,959	1,587,058
Staff loans	128,911	137,032	85,821	86,360
Other loans	9,536	18,640	1,698	2,162
	26,256,063	26,103,557	17,007,939	14,680,477
Unearned interest and income	(1,409,814)	(1,792,446)	(409,541)	(341,464)
Gross loans, advances and financing	24,846,249	24,311,111	16,598,398	14,339,013
Interest-in-suspense/income-in-suspense	(641,056)	(619,551)	(287,342)	(274,587)
Provision for bad and doubtful debts and financing:				
- specific	(868,043)	(789,517)	(516,854)	(445,375)
- general	(366,955)	(365,887)	(248,162)	(212,506)
	(1,876,054)	(1,774,955)	(1,052,358)	(932,468)
Total net loans, advances and financing	22,970,195	22,536,156	15,546,040	13,406,545

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notes to the financial statements (continued)

for the financial year ended 30 June 2004

7. LOANS, ADVANCES AND FINANCING (continued)

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

	The Group		The Bank	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Maturing within:				
- one year	9,077,305	9,092,355	7,764,568	7,547,195
- one year to three years	2,487,681	2,637,225	573,247	578,407
- three years to five years	3,654,176	4,078,443	700,512	675,061
- over five years	9,627,087	8,503,088	7,560,071	5,538,350
	24,846,249	24,311,111	16,598,398	14,339,013

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

	The Group		The Bank	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Agriculture	248,421	222,805	223,528	190,541
Mining and quarrying	42,582	49,172	30,587	29,548
Manufacturing	2,535,916	2,331,233	2,338,797	2,086,420
Electricity, gas and water	130,258	83,815	114,075	51,207
Construction	1,130,972	1,235,495	630,179	754,174
Real estate	202,245	212,200	136,093	111,057
Purchase of landed property:	8,765,898	7,157,846	7,354,713	5,643,038
- residential	6,722,110	5,293,192	5,552,797	3,967,432
- non-residential	2,043,788	1,864,654	1,801,916	1,675,606
General commerce	1,739,877	1,685,054	1,558,393	1,467,531
Transport, storage and communication	316,193	343,662	244,968	229,522
Finance, insurance and business services	771,190	732,226	657,464	576,014
Purchase of securities	983,091	905,937	624,350	587,823
Purchase of transport vehicles	4,977,242	6,302,544	6,471	7,958
Consumption credit	1,871,167	1,768,866	1,870,762	1,768,018
Others	1,131,197	1,280,256	808,018	836,162
	24,846,249	24,311,111	16,598,398	14,339,013



notes to the financial statements (continued)

for the financial year ended 30 June 2004

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	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Interest-in-suspense/income-in- suspense ("IIS")				
As at beginning of the year	619,551	577,890	274,587	251,909
Provisions made during the year	280,001	310,798	148,887	153,197
Amount written back in respect of recoveries	(147,594)	(183,061)	(70,833)	(86,850)
Amount transferred to provision for diminution in value	(1,059)	(10,893)	(1,059)	(10,893)
Amount written off	(110,351)	(75,174)	(64,748)	(32,767)
Exchange difference	508	(9)	508	(9)
As at end of the year	641,056	619,551	287,342	274,587
Specific provision ("SP")				
As at beginning of the year	789,517	743,032	445,375	381,561
Provisions made during the year	531,472	498,992	326,220	232,940
Amount written back in respect of recoveries	(126,415)	(252,085)	(45,901)	(61,360)
Amount transferred to provision for diminution in value	(21,177)	(9,141)	(21,177)	(9,141)
Amount written off	(306,987)	(191,279)	(189,296)	(98,623)
Exchange difference	1,633	(2)	1,633	(2)
As at end of the year	868,043	789,517	516,854	445,375
General provision ("GP")				
As at beginning of the year	365,887	382,764	212,506	199,671
Provisions made/(written back) during the year	864	(16,887)	35,452	12,825
Exchange difference	204	10	204	10
As at end of the year	366,955	365,887	248,162	212,506
(as % of total loans less SP and IIS)	1.6%	1.6%	1.6%	1.6%



notes to the financial statements (continued)

for the financial year ended 30 June 2004

7. LOANS, ADVANCES AND FINANCING (continued)

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

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
As at beginning of the year	2,819,191	3,138,433	1,375,625	1,480,026
Non-performing during the year	2,687,510	2,550,410	1,482,356	1,014,517
Accrued interest	125,338	136,948	114,655	123,528
Performing during the year	(1,906,473)	(1,921,060)	(990,467)	(725,080)
Amount written back in respect of recoveries	(556,174)	(815,101)	(326,765)	(381,642)
Amount written off	(396,224)	(270,413)	(240,710)	(135,698)
Exchange difference	2,037	(26)	2,037	(26)
As at end of the year	2,775,205	2,819,191	1,416,731	1,375,625
Ratio of non-performing loans to total loans, both net of SP and IIS	5.4%	6.2%	3.9%	4.8%

8. OTHER ASSETS

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Amounts recoverable from Danaharta	-	8,356	-	4,174
Foreclosed properties	3,480	3,551	3,480	3,551
Amount due from Trustee	11,405	-	11,405	-
Special deposit with BNM	972,810	-	972,810	-
Other debtors, deposits and prepayments	122,922	95,553	117,714	89,955
Interest receivable	83,261	95,122	73,790	80,798
	1,193,878	202,582	1,179,199	178,478
Amounts recoverable from Danaharta:				
As at beginning of the year	8,356	22,314	4,174	7,251
Provision made during the year	(8,356)	(13,958)	(4,174)	(3,077)
As at end of the year	-	8,356	-	4,174

The details of the amount due from Trustee are disclosed in Note 40.

The special deposit with BNM is non-interest bearing and matures in June 2005.



notes to the financial statements (continued)

for the financial year ended 30 June 2004

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	
	2004	2003
	RM'000	RM'000
Unquoted shares, at cost:		
- in Malaysia	423,571	723,571
- outside Malaysia	11	11
Arising from translation of a foreign subsidiary company	11	11
	423,593	723,593
Provision for permanent diminution in value	(27,752)	(27,752)
	395,841	695,841
As at beginning of the year	695,841	698,841
Return of capital	(300,000)	(3,000)
As at end of the year	395,841	695,841

During the financial year, Hong Leong Finance Berhad reduced its ordinary share capital from RM600 million to RM300 million and returned the capital to the Bank, pursuant to a High Court order obtained on 8 March 2004.



notes to the financial statements (continued)

for the financial year ended 30 June 2004

10. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies of the Bank are as follows:

Name	Percentage of equity held		Principal activities
	2004	2003	
HLF and its subsidiary companies: *#	100	100	A licensed finance company
- Pelita Terang Sdn Bhd*	100	100	Dormant
- Visia Nominees Sdn Bhd*	100	100	In members' voluntary liquidation
- HLF Credit (Perak) Bhd*	100	100	Property investment holding
Hong Leong Leasing Sdn Bhd*	100	100	Money lending
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) Berhad ("CCM")#	100	100	Dormant
WTB Corporation Berhad ("WTB")	100	100	Dormant
and its subsidiary companies: #			
- Wah Tat Nominees (Tempatan) Sendirian Berhad*	100	100	Agent and nominee for Malaysian clients
- Wah Tat Nominees (Asing) Sendirian Berhad*	100	100	Agent and nominee for foreign clients
- Wah Tat Properties Sendirian Berhad*	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

* 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 (continued)

for the financial year ended 30 June 2004

11. FIXED ASSETS

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
Accumulated depreciation						
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
Net book value as at 30 June 2004	32,632	30,532	3,355	5,512	2,122	14,297

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
Accumulated depreciation					
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
Net book value as at 30 June 2004	42,993	90,672	2,255	22,594	246,964

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



notes to the financial statements (continued)

for the financial year ended 30 June 2004

11. FIXED ASSETS (continued)

The Group 2003 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	34,455	37,021	5,271	7,421	2,683	18,441
Additions	-	-	-	-	-	-
Disposals	(80)	(159)	-	(796)	-	(273)
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	34,375	36,862	5,271	6,625	2,683	18,168
Accumulated depreciation						
As at beginning of the year	-	4,919	1,794	693	465	2,346
Charge for the year	-	499	61	92	48	248
Disposals	-	(69)	-	(75)	-	(109)
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	-	5,349	1,855	710	513	2,485
Net book value as at 30 June 2003	34,375	31,513	3,416	5,915	2,170	15,683

The Group 2003 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	163,985	214,772	8,357	14,371	506,777
Additions	10,526	18,569	712	18,666	48,473
Disposals	(2,516)	(5,330)	(1,034)	-	(10,188)
Exchange fluctuation	6	6	-	-	12
As at end of the year	172,001	228,017	8,035	33,037	545,074
Accumulated depreciation					
As at beginning of the year	115,301	135,054	6,543	-	267,115
Charge for the year	14,389	26,769	782	-	42,888
Disposals	(2,195)	(5,285)	(1,013)	-	(8,746)
Exchange fluctuation	3	2	1	-	6
As at end of the year	127,498	156,540	6,313	-	301,263
Net book value as at 30 June 2003	44,503	71,477	1,722	33,037	243,811

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notes to the financial statements (continued)

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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
Accumulated depreciation						
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
Net book value as at 30 June 2004	14,599	17,084	2,744	2,644	942	7,598

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
Accumulated depreciation					
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
Net book value as at 30 June 2004	31,458	71,096	2,115	22,594	172,874

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



notes to the financial statements (continued)

for the financial year ended 30 June 2004

11. FIXED ASSETS (continued)

The Bank 2003 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	3,722	1,245	8,583
Additions	-	-	-	-	-	-
Disposals	-	-	-	(749)	-	(180)
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	14,599	18,550	3,300	2,973	1,245	8,403
Accumulated depreciation						
As at beginning of the year	-	1,192	440	259	257	210
Charge for the year	-	137	58	71	23	75
Disposals	-	-	-	(57)	-	(74)
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	-	1,329	498	273	280	211
Net book value as at 30 June 2003	14,599	17,221	2,802	2,700	965	8,192

The Bank 2003 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	102,994	149,988	6,041	14,371	323,393
Additions	8,887	8,803	689	18,666	37,045
Disposals	(735)	(1,072)	(842)	-	(3,578)
Exchange fluctuation	6	6	-	-	12
As at end of the year	111,152	157,725	5,888	33,037	356,872
Accumulated depreciation					
As at beginning of the year	74,567	84,150	4,730	-	165,805
Charge for the year	9,596	20,640	573	-	31,173
Disposals	(708)	(1,071)	(842)	-	(2,752)
Exchange fluctuation	3	2	1	-	6
As at end of the year	83,458	103,721	4,462	-	194,232
Net book value as at 30 June 2003	27,694	54,004	1,426	33,037	162,640

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12. DEFERRED TAXATION

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

	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
Deferred tax assets/(liabilities)					
The Group					
2004					
As at beginning of the year	102,400	38,050	(14,516)	6,137	132,071
Credited/(charged) to income statement (Note 25)	345	971	(801)	10,060	10,575
As at end of the year	102,745	39,021	(15,317)	16,197	142,646
2003					
As at beginning of the year	106,833	44,701	(8,450)	5,544	148,628
(Charged)/credited to income statement (Note 25)	(4,433)	(6,651)	(6,066)	593	(16,557)
As at end of the year	102,400	38,050	(14,516)	6,137	132,071
Deferred tax assets/(liabilities)					
The Bank					
2004					
As at beginning of the year	59,502	30,557	(9,374)	1,718	82,403
Credited/(charged) to income statement (Note 25)	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
2003					
As at beginning of the year	55,908	30,511	(4,410)	1,709	83,718
Credited/(charged) to income statement (Note 25)	3,594	46	(4,964)	9	(1,315)
As at end of the year	59,502	30,557	(9,374)	1,718	82,403



notes to the financial statements (continued)

for the financial year ended 30 June 2004

13. DEPOSITS FROM CUSTOMERS

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Fixed deposits	26,984,619	26,950,492	16,704,030	14,464,569
Negotiable instruments of deposit	1,410,000	1,184,000	930,000	285,000
	28,394,619	28,134,492	17,634,030	14,749,569
Demand deposits	3,597,409	2,792,890	3,603,778	2,797,222
Savings deposits	5,682,842	4,947,018	4,758,023	3,956,809
Others	127,388	125,036	127,388	125,036
	37,802,258	35,999,436	26,123,219	21,628,636

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

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Due within:				
- six months	22,176,423	22,691,714	13,857,178	12,054,307
- six months to one year	6,120,521	5,284,542	3,739,262	2,615,598
- one year to three years	96,401	156,465	37,590	79,664
- three years to five years	1,274	1,771	-	-
	28,394,619	28,134,492	17,634,030	14,749,569

ii. The deposits are sourced from the following customers:

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Business enterprises	11,498,193	8,760,676	8,791,178	6,451,186
Individuals	23,611,911	21,244,369	16,014,964	13,667,581
Others	2,692,154	5,994,391	1,317,077	1,509,869
	37,802,258	35,999,436	26,123,219	21,628,636

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14. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Licensed banks	1,323,369	390,203	1,203,369	374,103
Licensed finance companies	-	50	434,100	232,900
Other financial institutions	128,150	-	20,000	-
	1,451,519	390,253	1,657,469	607,003

15. OTHER LIABILITIES

	The Group		The Bank	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Zakat	27	7	20	-
Post employment benefits obligation – defined contribution plan	2,863	2,784	2,655	1,934
Interest payable	198,162	198,288	116,688	91,655
Others	267,592	246,651	201,911	108,829
	468,644	447,730	321,274	202,418

16. SHARE CAPITAL

	The Group and The Bank	
	2004	2003
	RM'000	RM'000
Authorised:		
3,000,000,000 shares of RM1.00 each	3,000,000	3,000,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
As at beginning of the year	1,434,951	1,433,211
Special issue to Bumiputra investors	143,475	-
Issued upon exercise of share options	1,681	1,740
As at end of the year	1,580,107	1,434,951

The main features and details of the ESOS are disclosed in Note 40.



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17. RESERVES

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Distributable				
Retained profit	628,305	779,594	482,566	646,500
Non-distributable				
Share premium	539,664	108,779	539,664	108,779
Statutory reserve	1,716,919	1,624,590	1,202,767	1,110,438
Merger deficit	(73,800)	(73,800)	-	-
Exchange fluctuation reserve	34,303	33,411	34,303	33,411
	2,217,086	1,692,980	1,776,734	1,252,628
	2,845,391	2,472,574	2,259,300	1,899,128

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 2004.

Pursuant to the relief given under Section 60(4) of the Companies Act, 1965, the Bank has not recorded the share premium arising from the issuance of shares for the acquisition of HLF in the previous financial years. As such, the investment in HLF has been recorded in the Bank's books at the nominal value of shares issued. The merger deficit represents difference between the investment in HLF and the nominal value of shares acquired of HLF.

18. INTEREST INCOME

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Loans and advances	1,551,260	1,763,496	916,105	908,732
Money at call and deposit placements with financial institutions	385,654	307,397	265,492	192,492
Dealing securities	148,372	160,009	129,429	137,907
Investment securities	93,620	26,752	80,814	20,878
Others	33,974	35,142	7,977	9,400
	2,212,880	2,292,796	1,399,817	1,269,409
Accretion of discounts less amortisation of premium	(14,124)	2,706	(13,927)	(2,172)
Net interest suspended	(126,152)	(121,427)	(76,207)	(66,104)
	(140,276)	(118,721)	(90,134)	(68,276)
	2,072,604	2,174,075	1,309,683	1,201,133

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19. INTEREST EXPENSE

	The Group		The Bank	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	113,700	111,267	92,845	84,493
Deposits from other customers	895,713	906,148	559,008	501,921
Others	8,410	17,298	737	1,048
	1,017,823	1,034,713	652,590	587,462

20. NON-INTEREST INCOME

	The Group		The Bank	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Fee income				
Commissions	66,612	54,211	63,594	49,497
Service charges and fees	34,359	29,964	21,841	18,827
Guarantee fees	6,639	6,534	6,639	6,534
Other fee income	101,812	83,093	99,327	79,253
	209,422	173,802	191,401	154,111
Investment income				
Net (loss)/profit from dealing securities and derivative financial instruments	(20,207)	12,345	(11,732)	7,146
Gain from sale of investment securities	5,291	364	5,145	25
Gross dividends from:				
- investment securities	3,791	10,614	465	2,010
- subsidiary companies	-	-	330,000	593,800
(Provision)/writeback for diminution in value of investment securities	(6,248)	5,593	(10,232)	4,793
	(17,373)	28,916	313,646	607,774
Other income				
Foreign exchange gain/(loss):				
- realised	27,286	25,468	27,286	25,468
- unrealised	171	(2,229)	171	(2,229)
Rental income	152	117	123	120
Gain on disposal of fixed assets	3,815	1,539	393	1,131
Other non-operating income	6,603	4,319	3,856	2,657
	38,027	29,214	31,829	27,147
	230,076	231,932	536,876	789,032

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21. OVERHEAD EXPENSES

	The Group		The Bank	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Personnel costs	261,057	252,982	223,608	179,177
Establishment costs	121,080	118,953	102,230	88,567
Marketing expenses	34,304	35,262	24,896	15,191
Administration and general expenses	81,622	63,678	70,674	42,946
	498,063	470,875	421,408	325,881

The above expenditure includes the following statutory disclosures:

	The Group		The Bank	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (Note 24)	3,421	4,078	3,166	3,870
Rental of premises	30,362	33,080	26,106	23,281
Hire of equipment	3,875	3,033	3,875	3,033
Interest on finance lease	-	-	177	441
Auditors' remuneration:				
- statutory auditors' fees	335	291	327	283
- other fees	14	64	14	64
- other audit firm's fees	106	100	-	-
Depreciation of fixed assets	43,360	42,888	32,390	31,173
Loss on disposal of fixed assets	2,569	301	606	251
Fixed assets written off	1,977	366	40	48
Dealers' handling fees	8,208	17,018	-	-
	No.	No.	No.	No.
Number of employees at year end	5,281	5,364	4,538	3,712

The composition of personnel costs are as follows:

Wages, salaries and bonuses	212,307	210,682	180,537	148,555
Contribution to defined contribution plan	29,017	27,166	23,748	19,422
Other staff related costs	19,733	15,134	19,323	11,200
	261,057	252,982	223,608	179,177



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22. LOAN AND FINANCING LOSS AND PROVISION

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Provision for bad and doubtful debts and financing:				
- specific provision (net)	405,057	246,907	280,319	171,580
- general provision (net)	864	(16,887)	35,452	12,825
	405,921	230,020	315,771	184,405
Bad debts and financing:				
- written off	4,343	4,135	441	3,076
- recovered	(51,183)	(36,440)	(40,336)	(27,724)
	(46,840)	(32,305)	(39,895)	(24,648)
Provision on amounts recoverable from Danaharta	8,356	13,958	4,174	3,077
	367,437	211,673	280,050	162,834

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.

**notes to the financial statements** (continued)

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23. 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 (formerly known as Hong Leong Nominees Sdn Bhd), HLCM Capital Sdn Bhd (formerly known as Hong Leong 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
Hong Leong Properties Berhad and its subsidiary and associated companies as disclosed in its financial statements	Associated companies of ultimate holding company
OYL 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

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23. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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
2004			
Income			
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
Expenditure			
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
Amounts due from:			
Overdraft	-	3,686	-
Interbank placement	-	150,000	-
Private debt securities	-	-	58,238
Others	-	95	-
	-	153,781	58,238
Amounts due to:			
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
Foreign exchange related contracts (notional amount)			
Forward contracts	-	-	3,163
Interest rate related contracts (notional amount)			
Interest rate swaps	-	580,000	-

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23. 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
2003			
Income			
Interest:			
- loans	-	2,274	-
- private debt securities	-	-	4,504
- interbank placement	-	4,197	-
Commitment fee and rental income	-	85	-
Commission on Group products/services sold	-	-	3,564
	-	6,556	8,068
Expenditure			
Rental and maintenance	-	1,240	7,639
Insurance	-	-	4,877
Interest on deposits	-	105	116
Interest on repurchase agreement	109	-	2,058
Interest on interbank borrowing	-	3,085	-
Lease interest	-	441	-
Other miscellaneous expenses	393	-	1,838
	502	4,871	16,528
Amounts due from:			
Overdraft	-	4,047	-
Interbank placement	-	10,000	-
Private debt securities	-	-	58,238
Others	-	813	-
	-	14,860	58,238
Amounts due to:			
Current account and fixed deposits	2,283	11,907	148,641
Leasing facility	-	4,107	-
Repurchase agreements	1,800	-	229,570
Interbank borrowing	-	232,900	-
Others	-	8,897	-
	4,083	257,811	378,211
Foreign exchange related contracts (notional amount)			
Forward contracts	-	495	-
Interest rate related contracts (notional amount)			
Interest rate swaps	-	380,000	-

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.

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24. DIRECTORS' REMUNERATION

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

	The Group		The Bank	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Executive Directors:				
- salary and other remuneration	1,981	1,870	1,868	1,812
- bonuses	560	1,331	560	1,331
- contribution to defined contribution plan	255	362	255	362
- benefits-in-kind	54	35	54	35
Non-Executive Directors:				
- fees	571	480	429	330
	3,421	4,078	3,166	3,870

The remuneration attributable to the Group Managing Director of the Group and Bank, including benefits-in-kind during the year amounted to RM1,101,000. The Group Managing Director was appointed on 10 November 2003.

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.

25. TAXATION AND ZAKAT

	The Group		The Bank	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	141,919	204,496	154,207	262,637
Under provision in prior years	15,397	-	2,204	-
Transfer from deferred taxation				
- current year	6,433	12,681	(11,397)	(2,561)
- (over)/under provision in prior years	(17,008)	3,876	-	3,876
	(10,575)	16,557	(11,397)	1,315
Taxation	146,741	221,053	145,014	263,952
Zakat	20	-	20	-
	146,761	221,053	145,034	263,952



notes to the financial statements (continued)

for the financial year ended 30 June 2004

25. 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	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Profit before taxation and zakat	528,721	801,886	514,349	932,776
Tax calculated at a rate of 28%	148,042	224,528	144,018	261,177
Tax effects of:				
- income not subject to tax	(1,582)	(1,992)	(1,312)	(1,500)
- expenses not deductible for tax purposes	791	1,550	104	399
- current year tax losses not recognised	1,300	-	-	-
- previously unrecognised tax losses/ capital allowances	(199)	(6,909)	-	-
(Over)/under provision in prior years (net of deferred tax effects)	(1,611)	3,876	2,204	3,876
Taxation	146,741	221,053	145,014	263,952

	The Group	
	2004	2003
	RM'000	RM'000
Tax losses		
Tax losses for which the related tax credit has not been recognised in the financial statements	36,591	31,945
Tax saving as a result of the utilisation of tax losses brought forward from previous years for which the related credit is recognised during the year	-	5,606
Capital allowances		
Unutilised capital allowances for which the related tax credit has not been recognised in the financial statements	48,027	48,738
Tax saving as a result of the utilisation of capital allowances brought forward from previous years for which the related credit is recognised during the year	199	1,303

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

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26. 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.

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Profit after taxation and zakat	381,960	580,833	369,315	668,824
Weighted average number of ordinary shares in issue ('000)	1,560,520	1,434,484	1,560,520	1,434,484
Basic earnings per share (sen)	24.5	40.5	23.7	46.6

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. 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.

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Profit after taxation and zakat	381,960	580,833	369,315	668,824
Weighted average number of ordinary shares in issue:				
- during the year ('000)	1,560,520	1,434,484	1,560,520	1,434,484
- adjustment for share options ('000)	-*	1,386	-*	1,386
- for computation purpose of fully diluted earnings ('000)	1,560,520	1,435,870	1,560,520	1,435,870
Fully diluted earnings per share (sen)	24.5	40.5	23.7	46.6

* The ESOS is no longer dilutive in nature given the ESOS Trust arrangement as described in Note 40.



notes to the financial statements (continued)

for the financial year ended 30 June 2004

27. DIVIDENDS

	The Group and The Bank	
	2004	2003
	RM'000	RM'000
Final dividend paid of 18% (2003: 7.5%) less income tax at 28% and special tax exempt dividend paid of 11% (2003: nil)	344,217	77,462
Interim dividend paid of 8.5% (2003: 6.0%) less income tax at 28%	96,703	61,976
	440,920	139,438

A final dividend in respect of the financial year ended 30 June 2004 of 15.5 sen per share less income tax at 28% (2003: 18 sen per share less income tax at 28% and special tax exempt dividend of 11 sen per share) will be proposed for shareholders' approval at the forthcoming Annual General Meeting. Based on the Bank's issued and paid-up share capital of 1,580,107,034 as at 30 June 2004, the dividend would amount to RM176,340,000 (2003: RM343,814,000). The proposed dividend will be reflected in the financial statements of the next financial year ending 30 June 2005 when approved by shareholders.

28. CLOSING FOREIGN EXCHANGE RATES

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

	The Bank	
	2004	2003
	RM'000	RM'000
Euro	4.6005	4.3520
Singapore Dollar ('SGD')	2.2093	2.1585
U.S. Dollar ('USD')	3.8000	3.8000
Hong Kong Dollar ('HKD')	0.4872	0.4873



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29.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		2003	
	2004		2003	
	Principal RM'000	Credit equivalent RM'000	Principal RM'000	Credit equivalent RM'000
Direct credit substitutes	156,131	156,131	140,555	140,555
Certain transaction-related contingent items	433,562	216,781	447,550	223,775
Short-term self-liquidating trade-related contingencies	482,815	96,563	474,780	94,956
Obligations under underwriting agreement	62,214	31,107	14,225	7,112
Irrevocable commitment to extend credit:				
- maturity more than one year	3,856,852	1,928,426	3,496,234	1,748,117
- maturity less than one year	8,409,576	-	7,456,080	-
Foreign exchange related contracts:				
- less than one year	4,714,804	64,229	1,739,461	30,976
Interest rate related contracts:				
- less than one year	775,000	1,933	561,000	760
- one year to less than five years	1,308,591	31,864	920,000	16,723
Miscellaneous	556	-	573	-
	20,200,101	2,527,034	15,250,458	2,262,974

	The Bank		2003	
	2004		2003	
	Principal RM'000	Credit equivalent RM'000	Principal RM'000	Credit equivalent RM'000
Direct credit substitutes	155,369	155,369	137,870	137,870
Certain transaction-related contingent items	433,562	216,781	447,550	223,775
Short-term self-liquidating trade-related contingencies	476,949	95,390	474,780	94,956
Obligations under underwriting agreement	62,214	31,107	14,225	7,112
Irrevocable commitment to extend credit:				
- maturity more than one year	3,365,884	1,682,942	2,869,152	1,434,576
- maturity less than one year	7,854,821	-	7,036,338	-
Foreign exchange related contracts:				
- less than one year	4,714,804	64,229	1,739,461	30,976
Interest rate related contracts:				
- less than one year	835,000	5,897	257,000	-
- one year to less than five years	1,508,591	38,636	980,000	24,980
Miscellaneous	556	-	573	-
	19,407,750	2,290,351	13,956,949	1,954,245

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29.COMMITMENTS AND CONTINGENCIES (continued)

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

	The Group		The Bank	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Foreign exchange related contracts:				
- forward contracts	4,714,804	1,739,461	4,714,804	1,739,461
Interest rate related contracts:				
- futures contracts	-	257,000	-	257,000
- interest rate swaps	2,083,591	1,224,000	2,343,591	980,000

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 2004, the notional amount of contracts which were not hedged and hence, exposed to foreign exchange and interest rate market risk were RM228,765,000 (2003: RM45,515,000) and RM1,533,591,000 (2003: RM400,000,000) 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 2004, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM10,689,000 (2003: RM12,219,000). The amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

30.CAPITAL COMMITMENTS

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

	The Group		The Bank	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Authorised and contracted for	6,473	44,490	6,436	38,158
Authorised but not contracted for	4,670	28,033	4,670	19,311
	11,143	72,523	11,106	57,469

The capital commitments are attributed to fixed assets.



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31. 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	2004 RM'000	2003 RM'000
Not later than one year	2,522	1,172
Later than one year and not later than five years	5,558	2,580
Later than five years	81	339

The Bank has a finance lease with Hong Leong Leasing Sdn Bhd to finance renovation works of branches and the finance lease arrangement is as follows:

	2004 RM'000	2003 RM'000
Minimum lease payments:		
- not later than one year	745	3,557
- later than one year and not later than five years	-	745
	745	4,302
Future finance charges on finance leases	(17)	(195)
	728	4,107
Present value of finance lease liabilities		
Present value of finance lease liabilities:		
- not later than one year	728	3,379
- later than one year and not later than five years	-	728
	728	4,107

32. HOLDING AND ULTIMATE HOLDING COMPANIES

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



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33. CAPITAL ADEQUACY

i. The capital adequacy ratios of the Bank are as follows:

	The Bank	
	2004 RM'000	2003 RM'000
Tier-1 capital	3,745,607	3,251,676
Tier-2 capital	248,162	212,506
Total capital	3,993,769	3,464,182
Less: Investment in subsidiary companies	(395,841)	(695,841)
Capital base	3,597,928	2,768,341
Capital ratios		
Core capital ratio	21.02%	18.14%
Risk-weighted capital ratio	21.02%	18.14%

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

	The Bank	
	2004 RM'000	2003 RM'000
Tier-1 capital		
Paid-up share capital	1,580,107	1,434,951
Share premium	539,664	108,779
Other reserves*	1,625,836	1,707,946
Total tier-1 capital	3,745,607	3,251,676
Tier-2 capital		
General provision for bad and doubtful debts	248,162	212,506
Total tier-2 capital	248,162	212,506
Total capital	3,993,769	3,464,182
Less: Investment in subsidiary companies	(395,841)	(695,841)
Total capital base	3,597,928	2,768,341

* Adjusted for effects of deferred taxation.

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

	The Bank	
	2004 RM'000	2003 RM'000
0%	14,504,330	10,143,955
10%	1,547,960	428,525
20%	3,576,158	2,508,872
50%	5,416,541	3,771,644
100%	13,534,663	12,828,925
	38,579,652	29,681,921
Total risk-weighted assets	17,112,961	15,259,374

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34.SEGMENT REPORTING

i. Primary reporting – business segments

The Group comprises of the following main business segments:

Consumer Banking 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.

The Group 2004	Consumer Banking RM'000	Business Banking RM'000	Treasury RM'000	Total RM'000
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
Segment assets	16,536,040	6,680,203	23,887,910	47,104,153
Unallocated assets				1,956,252
Total assets				49,060,405
Segment liabilities	34,464,076	3,364,204	6,466,860	44,295,140
Unallocated liabilities				339,767
Total liabilities				44,634,907
Other significant segment items				
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

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



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34.SEGMENT REPORTING (continued)

i. Primary reporting – business segments (continued)

The Group 2003	Consumer Banking RM'000	Business Banking RM'000	Treasury RM'000	Total RM'000
Revenue				
- external	545,430	468,116	470,888	1,484,434
- inter-segment	569,490	(184,186)	(385,304)	-
	1,114,920	283,930	85,584	1,484,434
Segment profit before taxation and zakat	551,195	180,895	69,796	801,886
Taxation and zakat				(221,053)
Profit after taxation and zakat				580,833
Segment assets	15,993,584	6,784,246	19,728,639	42,506,469
Unallocated assets				1,062,133
Total assets				43,568,602
Segment liabilities	33,202,951	2,611,545	3,084,892	38,899,388
Unallocated liabilities				761,689
Total liabilities				39,661,077
Other significant segment items				
Capital expenditure	44,253	3,485	735	48,473
Depreciation	38,484	2,942	1,462	42,888
Net interest/income suspended	65,179	62,558	-	127,737
Loan and financing loss and provision	155,267	56,406	-	211,673

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 2004	Revenue RM'000	Total assets RM'000
Malaysia	1,336,729	47,025,297
Overseas operations	57,492	2,035,108
	1,394,221	49,060,405
The Group 2003	Revenue RM'000	Total assets RM'000
Malaysia	1,444,533	41,703,814
Overseas operations	39,901	1,864,788
	1,484,434	43,568,602

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35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- a. The Bank had completed the special issue of 143,475,000 new ordinary shares of RM1.00 each in the Bank to Bumiputra investors at an issue price of RM4.00 per new share ("Special Issue"). The proceeds from the Special Issue had been utilised for working capital purposes.
- b. The Bank had, on 13 January 2004, announced that it had been granted a banking license by the Hong Kong Monetary Authority to carry out banking business in Hong Kong. The branch had commenced business on 23 April 2004.

36. SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR

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.

37. 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 Directors have the overall responsibility to ensure there is proper oversight of the management of risks in the Bank. The 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 members of the Directors, has been set up to oversee that risk management at all levels is being managed effectively. They, in turn, report all the risk management activities to the 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 principle risk areas across the Bank and provide a comprehensive profile of such risks, 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.

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 ('MCC'), who in turn report to the Board Credit Committee ('BCC'). All credit policies are reviewed and approved by the BCC.

The core of the credit risk management process is documented in the Credit Manual, including 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.

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.



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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.

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

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. 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 principle 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 individual business unit level.

Towards ensuring compliance with statutory requirements, laws, policies and internal guidelines, the Bank has implemented a system of self-audits throughout all of its branch network. The self-audit programme on the adequacy and reliability of the operational risk management framework is supplemented by independent audit reviews from the Internal Audit Division.

Operations' risk notes are disseminated to all operating departments/units, to raise awareness of operational risk issues as well as to inculcate risk management as an integral part of the planning and management processes of the Bank.



notes to the financial statements (continued)

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38. 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.

The Group 2004	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
Assets					
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	-	-	-	-	-
Tax recoverable	-	-	-	-	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-
Fixed assets	-	-	-	-	-
Deferred tax assets	-	-	-	-	-
Total assets	28,375,691	3,819,226	984,977	1,201,758	7,900,492

The Group 2004	Over 5 years RM'000	Non- interest sensitive RM'000	Islamic Banking RM'000	Total RM'000	Effective interest rate %
Assets					
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)^	2,164,828	22,970,195	7.7
Other assets	-	1,113,758	80,120	1,193,878	-
Tax recoverable	-	15,290	-	15,290	-
Statutory deposits with Bank Negara Malaysia	-	633,338	58,650	691,988	-
Fixed assets	-	246,804	160	246,964	-
Deferred tax assets	-	128,802	13,844	142,646	-
Total assets	2,187,232	785,707	3,805,322	49,060,405	

* 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 (continued)

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38. INTEREST RATE RISK AND CREDIT RISK DISCLOSURES (continued)

a. Interest rate risk (continued)

The Group 2004	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
Liabilities					
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	-	-	-	-	-
Total liabilities	22,168,457	5,084,983	3,666,133	5,918,843	90,325
On-balance sheet – interest rate gap	6,207,234	(1,265,757)	(2,681,156)	(4,717,085)	7,810,167
Interest rate swaps	61,419	228,582	62,094	670,000	(122,094)
Off-balance sheet – interest rate gap	61,419	228,582	62,094	670,000	(122,094)
Net interest rate gap	6,268,653	(1,037,175)	(2,619,062)	(4,047,085)	7,688,073

The Group 2004	Over 5 years RM'000	Non- interest sensitive RM'000	Islamic Banking RM'000	Total RM'000	Effective interest rate %
Liabilities					
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	-
Total liabilities	-	4,244,276	3,461,890	44,634,907	
On-balance sheet – interest rate gap	2,187,232				
Interest rate swaps	(900,000)				
Off-balance sheet – interest rate gap	(900,000)				
Net interest rate gap	1,287,232				

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38. INTEREST RATE RISK AND CREDIT RISK DISCLOSURES (continued)

a. Interest rate risk (continued)

The Group 2003	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
Assets					
Cash and short-term funds	7,268,610	-	-	-	-
Deposits and placements with banks and other financial institutions	-	2,183,040	228,958	50,600	-
Dealing securities	1,953,559	2,072,716	1,268,647	338,380	641,832
Investment securities	109,246	205,070	74,266	158,594	883,425
Loans, advances and financing	13,901,515	943,293	559,795	535,961	5,661,501
Other assets	-	-	-	-	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-
Fixed assets	-	-	-	-	-
Deferred tax assets	-	-	-	-	-
Total assets	23,232,930	5,404,119	2,131,666	1,083,535	7,186,758

The Group 2003	Over 5 years RM'000	Non- interest sensitive RM'000	Islamic Banking RM'000	Total RM'000	Effective interest rate %
Assets					
Cash and short-term funds	-	300,054	130,763	7,699,427	3.0
Deposits and placements with banks and other financial institutions	-	-	30,000	2,492,598	3.0
Dealing securities	297,104	-	1,122,541	7,694,779	3.1
Investment securities	269,412	17,102*	122,583	1,839,698	4.0
Loans, advances and financing	825,922	(1,698,868)^	1,807,037	22,536,156	8.3
Other assets	-	140,673	61,909	202,582	-
Statutory deposits with Bank Negara Malaysia	-	660,958	66,522	727,480	-
Fixed assets	-	243,596	215	243,811	-
Deferred tax assets	-	118,660	13,411	132,071	-
Total assets	1,392,438	(217,825)	3,354,981	43,568,602	

* 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).

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38. INTEREST RATE RISK AND CREDIT RISK DISCLOSURES (continued)

a. Interest rate risk (continued)

The Group 2003	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
Liabilities					
Deposits from customers	18,119,445	4,505,111	3,050,823	5,036,973	149,242
Deposits and placements of banks and other financial institutions	323,057	37,918	-	-	-
Obligations on securities sold under repurchase agreements	1,492,299	-	-	-	-
Bills and acceptances payable	319,588	501,072	150,219	-	-
Amounts due to Cagamas	8,710	-	18,385	-	-
Other liabilities	-	-	-	-	-
Provision for taxation	-	-	-	-	-
Total liabilities	20,263,099	5,044,101	3,219,427	5,036,973	149,242
On-balance sheet – interest rate gap	2,969,831	360,018	(1,087,761)	(3,953,438)	7,037,516
Interest rate swaps	-	944,000	-	(304,000)	(640,000)
Interest rate futures	-	227,000	-	30,000	-
Off-balance sheet – interest rate gap	-	1,171,000	-	(274,000)	(640,000)
Net interest rate gap	2,969,831	1,531,018	(1,087,761)	(4,227,438)	6,397,516

The Group 2003	Over 5 years RM'000	Non- interest sensitive RM'000	Islamic Banking RM'000	Total RM'000	Effective interest rate %
Liabilities					
Deposits from customers	-	2,289,422	2,848,420	35,999,436	3.0
Deposits and placements of banks and other financial institutions	-	28	29,250	390,253	2.3
Obligations on securities sold under repurchase agreements	-	-	18,340	1,510,639	2.7
Bills and acceptances payable	-	209,442	1,450	1,181,771	3.6
Amounts due to Cagamas	-	-	-	27,095	6.8
Other liabilities	-	297,950	149,780	447,730	-
Provision for taxation	-	75,881	28,272	104,153	-
Total liabilities	-	2,872,723	3,075,512	39,661,077	
On-balance sheet – interest rate gap	1,392,438				
Interest rate swaps	-				
Interest rate futures	-				
Off-balance sheet – interest rate gap	-				
Net interest rate gap	1,392,438				

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38. INTEREST RATE RISK AND CREDIT RISK DISCLOSURES (continued)

a. Interest rate risk (continued)

The Bank 2004	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
Assets					
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	-	-	-	-	-
Total assets	24,476,275	3,172,931	872,239	897,167	3,915,423

The Bank 2004	Over 5 years RM'000	Non- interest sensitive RM'000	Islamic Banking RM'000	Total RM'000	Effective interest rate %
Assets					
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	-
Total assets	574,030	1,474,106	1,396,770	36,778,941	

* 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).



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38. INTEREST RATE RISK AND CREDIT RISK DISCLOSURES (continued)

a. Interest rate risk (continued)

The Bank 2004	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
Liabilities					
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	-	-	-	-	-
Total liabilities	18,291,783	3,354,582	2,165,802	3,681,189	32,889
On-balance sheet – interest rate gap	6,184,492	(181,651)	(1,293,563)	(2,784,022)	3,882,534
Interest rate swaps	61,419	228,582	62,094	(30,000)	(322,094)
Off-balance sheet – interest rate gap	61,419	228,582	62,094	(30,000)	(322,094)
Net interest rate gap	6,245,911	46,931	(1,231,469)	(2,814,022)	3,560,440

The Bank 2004	Over 5 years RM'000	Non- interest sensitive RM'000	Islamic Banking RM'000	Total RM'000	Effective interest rate %
Liabilities					
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	-	-	-	-	-
Total liabilities	-	4,098,323	1,314,966	32,939,534	
On-balance sheet – interest rate gap	574,030				
Interest rate swaps	-				
Off-balance sheet – interest rate gap	-				
Net interest rate gap	574,030				

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38. INTEREST RATE RISK AND CREDIT RISK DISCLOSURES (continued)

a. Interest rate risk (continued)

The Bank 2003	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
Assets					
Cash and short-term funds	4,330,960	-	-	-	-
Deposits and placements with financial institutions	-	1,612,540	109,958	-	-
Dealing securities	1,669,894	1,512,386	1,082,736	302,561	355,315
Investment securities	108,846	139,017	74,266	133,972	671,530
Loans, advances and financing	11,478,097	936,116	493,194	381,416	512,949
Other assets	-	-	-	-	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-
Investment in subsidiary companies	-	-	-	-	-
Fixed assets	-	-	-	-	-
Deferred tax assets	-	-	-	-	-
Total assets	17,587,797	4,200,059	1,760,154	817,949	1,539,794

The Bank 2003	Over 5 years RM'000	Non- interest sensitive RM'000	Islamic Banking RM'000	Total RM'000	Effective interest rate %
Assets					
Cash and short-term funds	-	227,713	56,815	4,615,488	3.0
Deposits and placements with financial institutions	-	-	-	1,722,498	3.0
Dealing securities	196,805	-	798,698	5,918,395	3.1
Investment securities	191,884	(14,669)*	42,583	1,347,429	4.4
Loans, advances and financing	121,247	(925,644)^	409,170	13,406,545	7.8
Other assets	-	116,809	61,669	178,478	-
Statutory deposits with Bank Negara Malaysia	-	381,178	-	381,178	-
Investment in subsidiary companies	-	695,841	-	695,841	-
Fixed assets	-	162,640	-	162,640	-
Deferred tax assets	-	80,662	1,741	82,403	-
Total assets	509,936	724,530	1,370,676	28,510,895	

* 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).



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38. INTEREST RATE RISK AND CREDIT RISK DISCLOSURES (continued)

a. Interest rate risk (continued)

The Bank 2003	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
Liabilities					
Deposits from customers	12,010,178	1,966,465	1,456,814	2,556,721	74,605
Deposits and placements of banks and other financial institutions	565,957	37,918	-	-	-
Obligations on securities sold under repurchase agreements	1,492,299	-	-	-	-
Bills and acceptances payable	319,588	501,072	150,219	-	-
Amounts due to Cagamas	8,710	-	18,385	-	-
Other liabilities	-	-	-	-	-
Provision for taxation	-	-	-	-	-
Total liabilities	14,396,732	2,505,455	1,625,418	2,556,721	74,605
On-balance sheet – interest rate gap	3,191,065	1,694,604	134,736	(1,738,772)	1,465,189
Interest rate swaps	(35,000)	(35,000)	10,000	-	60,000
Interest rate futures	-	227,000	-	30,000	-
Off-balance sheet – interest rate gap	(35,000)	192,000	10,000	30,000	60,000
Net interest rate gap	3,156,065	1,886,604	144,736	(1,708,772)	1,525,189

The Bank 2003	Over 5 years RM'000	Non- interest sensitive RM'000	Islamic Banking RM'000	Total RM'000	Effective interest rate %
Liabilities					
Deposits from customers	-	2,289,422	1,274,431	21,628,636	2.8
Deposits and placements of banks and other financial institutions	-	28	3,100	607,003	2.3
Obligations on securities sold under repurchase agreements	-	-	18,340	1,510,639	2.7
Bills and acceptances payable	-	209,442	1,450	1,181,771	3.6
Amounts due to Cagamas	-	-	-	27,095	6.8
Other liabilities	-	193,156	9,262	202,418	-
Provision for taxation	-	15,874	3,380	19,254	-
Total liabilities	-	2,707,922	1,309,963	25,176,816	
On-balance sheet – interest rate gap	509,936				
Interest rate swaps	-				
Interest rate futures	-				
Off-balance sheet – interest rate gap	-				
Net interest rate gap	509,936				

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38. 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 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 Group 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

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38. INTEREST RATE RISK AND CREDIT RISK DISCLOSURES (continued)

b. Credit risk (continued)

The Group 2003	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	218,976	144
Mining and quarrying	-	-	-	44,753	-
Manufacturing	-	54,725	24,676	2,091,461	285
Electricity, gas and water	-	13,843	255,286	82,219	3,035
Construction	-	34,061	35,211	1,060,606	112
Real estate	-	-	28,626	166,582	99
Purchase of landed property					
- Residential	-	-	-	5,257,530	-
- Non-residential	-	-	-	1,718,233	-
General commerce	-	25,590	29,544	1,616,457	588
Transport, storage and communications	-	65,493	43,512	291,684	1,179
Finance, insurance and business services	1,497,225	3,206,813	225,197	699,046	16,787
Government and government agencies	8,694,800	4,294,254	1,128,410	104	70,378
Purchase of securities	-	-	8,109	736,299	552
Purchase of transport vehicles	-	-	-	6,087,847	-
Consumption credit	-	-	-	1,679,278	-
Others	-	-	-	1,150,968	1,963
	10,192,025	7,694,779	1,788,876	22,902,043	95,122

The Group 2003	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	-	229,425	937	102,868
Mining and quarrying	-	44,753	92	7,062
Manufacturing	-	2,171,147	99,298	1,536,174
Electricity, gas and water	-	354,383	-	81,159
Construction	-	1,129,990	733	545,189
Real estate	-	195,307	-	54,693
Purchase of landed property				
- Residential	-	5,257,530	460	2,264,208
- Non-residential	-	1,718,233	540	472,105
General commerce	-	1,672,179	18,226	993,038
Transport, storage and communications	-	401,868	563	121,909
Finance, insurance and business services	-	5,645,068	2,655,837	457,993
Government and government agencies	727,480	14,915,426	-	-
Purchase of securities	-	744,960	-	435,410
Purchase of transport vehicles	-	6,087,847	-	291,749
Consumption credit	-	1,679,278	436	3,344,062
Others	-	1,152,931	443,339	1,322,378
	727,480	43,400,325	3,220,461	12,029,997

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38. 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

The Group 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	-	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

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notes to the financial statements (continued)

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38. INTEREST RATE RISK AND CREDIT RISK DISCLOSURES (continued)

b. Credit risk (continued)

The Bank 2003	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	188,974	144
Mining and quarrying	-	-	-	28,250	-
Manufacturing	-	54,725	23,000	1,865,116	280
Electricity, gas and water	-	13,843	255,286	50,694	3,035
Construction	-	-	-	697,813	-
Real estate	-	-	28,626	91,665	99
Purchase of landed property	-	-	-	-	-
- Residential	-	-	-	3,931,770	-
- Non-residential	-	-	-	1,629,742	-
General commerce	-	25,590	29,532	1,398,934	588
Transport, storage and communications	-	65,493	43,140	197,991	1,179
Finance, insurance and business services	1,018,386	1,906,364	176,893	560,508	14,520
Government and government agencies	5,319,600	3,852,380	758,465	104	58,438
Purchase of securities	-	-	8,109	492,092	552
Purchase of transport vehicles	-	-	-	7,832	-
Consumption credit	-	-	-	1,678,445	-
Others	-	-	-	799,121	1,963
	6,337,986	5,918,395	1,333,356	13,619,051	80,798

The Group 2003	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	-	199,423	937	102,539
Mining and quarrying	-	28,250	92	6,964
Manufacturing	-	1,943,121	99,298	1,535,189
Electricity, gas and water	-	322,858	-	80,498
Construction	-	697,813	733	416,580
Real estate	-	120,390	-	38,852
Purchase of landed property	-	-	-	-
- Residential	-	3,931,770	460	2,133,046
- Non-residential	-	1,629,742	540	456,220
General commerce	-	1,454,644	18,226	972,911
Transport, storage and communications	-	307,803	563	118,862
Finance, insurance and business services	-	3,676,671	2,411,837	448,342
Government and government agencies	381,178	10,370,165	-	-
Purchase of securities	-	500,753	-	18,402
Purchase of transport vehicles	-	7,832	-	1,593
Consumption credit	-	1,678,445	436	3,334,492
Others	-	801,084	443,339	1,315,998
	381,178	27,670,764	2,976,461	10,980,488

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39. 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.

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 impaired 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 has 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.

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.

Amounts due to Cagamas

The estimated fair values of the amounts attributable to the loans sold to Cagamas with recourse and with maturities of less than six months approximate the carrying values. For the amounts attributable to the loans sold to Cagamas with recourse and with maturities six months and above, the fair values are estimated based on discounted cash flows using prevailing interest rates for loans sold to Cagamas with similar remaining period to maturity.

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.



notes to the financial statements (continued)

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39. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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:

	The Group 2004		The Group 2003	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
On-balance sheet items				
Financial assets:				
Dealing securities	2,371,508	2,372,123	7,694,779	7,698,114
Investment securities	4,507,210	4,562,266	1,839,698	1,871,713
Loans, advances and financing	22,970,195	23,448,866	22,536,156	22,680,377
Other assets	1,067,476*	1,040,979*	95,122	95,122
Financial liabilities:				
Deposits from customers	37,802,258	37,826,199	35,999,436	36,158,695

* The carrying amount is not written down to the fair value, as the Directors are of the opinion that the amount is recoverable, as substantially, it relates to deposits with BNM.

	Notional amount RM'000	The Group 2004 Positive mark-to- market RM'000	Negative mark-to- market RM'000
Off-balance sheet items			
Derivative financial instruments			
Foreign exchange contracts:			
- Forward contracts	4,714,804	20,093	(19,815)
Interest rate contracts:			
- Swaps	2,083,591	7,678	(17,426)
Off-balance sheet items			
Derivative financial instruments			
Foreign exchange contracts:			
- Forward contracts	1,739,461	2,245	(4,291)
Interest rate contracts:			
- Swaps	1,224,000	3,925	(17,728)
- Futures	257,000	408	-



notes to the financial statements (continued)

for the financial year ended 30 June 2004

39. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Foreign exchange and interest rate related contracts (continued)

On-balance sheet items	The Bank 2004		The Bank 2003	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets:				
Dealing securities	2,369,650	2,370,265	5,918,395	5,919,162
Investment securities	4,115,065	4,162,455	1,347,429	1,375,946
Loans, advances and financing	15,546,040	15,550,300	13,406,545	13,443,625
Other assets	1,058,005*	1,031,508*	80,798	80,798
Financial liabilities:				
Deposits from customers	26,123,219	26,137,757	21,628,636	21,645,505

* The carrying amount is not written down to the fair value, as the Directors are of the opinion that the amount is recoverable, as substantially, it relates to deposits with BNM.

Off-balance sheet items	The Bank 2004		Negative mark-to- market RM'000
	Notional amount RM'000	Positive mark-to- market RM'000	
Derivative financial instruments			
Foreign exchange contracts:			
- Forward contracts	4,714,804	20,093	(19,815)
Interest rate contracts:			
- Swaps	2,343,591	10,450	(10,467)

On-balance sheet items	The Bank 2003		Negative mark-to- market RM'000
	Notional amount RM'000	Positive mark-to- market RM'000	
Derivative financial instruments			
Foreign exchange contracts:			
- Forward contracts	1,739,461	2,245	(4,291)
Interest rate contracts:			
- Swaps	980,000	11,581	(10,539)
- Futures	257,000	408	-

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.

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40. 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:

	2004		2003	
	Number of options over ordinary shares RM3.70 per share	RM3.44 per share	Number of options over ordinary shares RM3.70 per share	RM3.44 per share
At 1 July 2003	6,325,000	71,000	9,168,400	131,000
Lapsed	(531,600)	(8,400)	(1,149,200)	(14,800)
Exercised	(3,662,000)	(52,600)	(1,694,200)	(45,200)
At 30 June 2004	2,131,400	10,000	6,325,000	71,000

- a. During the financial year, 1,642,200 options (2003: 1,694,200) on ordinary shares of RM3.70 per share and 39,000 options (2003: 45,200) on ordinary shares of RM3.44 per share were satisfied via share issuance and are detailed as follows:

	The Group and Bank	
	2004 RM'000	2003 RM'000
Ordinary share capital – at par	1,681	1,740
Share premium	4,529	4,683
Proceeds received on exercise of share options for shares issued	6,210	6,423
Fair value at exercise date of shares issued	8,648	9,118

- b. During the financial year, 2,019,800 options (2003: nil) on ordinary shares of RM3.70 per share and 13,600 options (2003: nil) on ordinary shares of RM3.44 per share were satisfied by way of a transfer of shares from the Trustee's Account under the ESOS to the option holders as described below:

	The Group and Bank	
	2004 RM'000	2003 RM'000
Proceeds received on exercise of share options for shares transferred	7,520	-
Fair value at exercise date of shares transferred	10,731	-

A trust has been set up for the ESOS and 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 stocks 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 2004 is RM11,405,000. The loan is unsecured, interest free with no fixed repayment terms.



notes to the financial statements (continued)

for the financial year ended 30 June 2004

40. EQUITY COMPENSATION BENEFITS (continued)

Executive Share Option Scheme ("ESOS" or "Scheme") (continued)

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

	2004 Number of ordinary shares RM'000	Market Value RM'000
For trust shares held		
At 1 July	-	-
Shares purchased	4,288	21,611
Shares transferred at exercise date	(2,033)	10,731
At 30 June	2,255	10,913

41. 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 27 July 2004.

42. THE OPERATIONS OF ISLAMIC BANKING

Balance sheets as at 30 June 2004

		The Group		The Bank	
	Note	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Assets					
Cash and short-term funds	(a)	1,119,100	130,763	314,408	56,815
Deposits with finance company		-	30,000	-	-
Dealing securities	(b)	239,893	1,122,541	238,035	798,698
Investment securities	(c)	128,727	122,583	128,727	42,583
Loans, advances and financing	(d)	2,164,828	1,807,037	632,680	409,170
Other assets	(e)	80,120	61,909	79,375	61,669
Statutory deposit with BNM		58,650	66,522	-	-
Fixed assets	(f)	160	215	-	-
Deferred tax assets	(g)	13,844	13,411	3,545	1,741
Total assets		3,805,322	3,354,981	1,396,770	1,370,676
Liabilities and Islamic Banking funds					
Deposits from customers	(h)	2,941,983	2,848,420	885,759	1,274,431
Deposits and placements of banks and other financial institutions	(i)	302,100	29,250	282,100	3,100
Obligations on securities sold under repurchase agreements		137,849	18,340	137,849	18,340
Bills and acceptances payable		1,892	1,450	1,892	1,450
Other liabilities	(j)	49,349	149,780	7,366	9,262
Provision for taxation		28,717	28,272	9,643	3,380
Total liabilities		3,461,890	3,075,512	1,324,609	1,309,963
Islamic Banking funds		343,432	279,469	72,161	60,713
Total liabilities and Islamic Banking funds		3,805,322	3,354,981	1,396,770	1,370,676
Commitment and contingencies	(s)	217,868	242,505	164,662	161,627

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notes to the financial statements (continued)

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42. THE OPERATIONS OF ISLAMIC BANKING (continued)

Income statements for the financial year ended 30 June 2004

	Note	The Group		The Bank	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Income derived from investment of depositors' funds	(l)	176,859	181,807	50,005	44,750
Transfer to profit equalisation reserve	(k)	(7,200)	(4,055)	(2,800)	-
Total attributable income		169,659	177,752	47,205	44,750
Income attributable to the depositors	(m)	(79,636)	(85,385)	(28,133)	(27,998)
Income attributable to the reporting institutions		90,023	92,367	19,072	16,752
Income derived from investment of Islamic Banking Capital funds	(n)	19,341	20,773	2,766	2,036
Total net income		109,364	113,140	21,838	18,788
Provision for losses on loan, advances and financing	(o)	(13,438)	(11,485)	(4,065)	(2,644)
		95,926	101,655	17,773	16,144
Overhead expenses	(p)	(7,039)	(4,792)	(1,846)	(817)
Profit before taxation and zakat		88,887	96,863	15,927	15,327
Taxation and zakat	(q)	(24,924)	(28,353)	(4,479)	(2,684)
Profit after taxation and zakat		63,963	68,510	11,448	12,643

Statements of changes in Islamic Banking funds for the financial year ended 30 June 2004

	Islamic Banking Capital fund RM'000	Retained profit RM'000	Total RM'000
Group			
Balance as at 1 July 2002	102,970	107,989	210,959
Net profit for the financial year	-	68,510	68,510
Balance as at 30 June 2003	102,970	176,499	279,469
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
Bank			
Balance as at 1 July 2002	37,500	10,570	48,070
Net profit for the financial year	-	12,643	12,643
Balance as at 30 June 2003	37,500	23,213	60,713
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

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notes to the financial statements (continued)

for the financial year ended 30 June 2004

42. THE OPERATIONS OF ISLAMIC BANKING (continued)

Cash flow statements for the financial year ended 30 June 2004

Note	The Group 2004 RM'000	2003 RM'000	The Bank 2004 RM'000	2003 RM'000
Cash flows used in operating activities				
Profit before taxation and zakat	88,887	96,863	15,927	15,327
Add/(less) adjustments:				
Depreciation	55	54	-	-
Transfer to profit equalisation reserve	7,200	4,055	2,800	-
Gain from sales of investment securities	-	(367)	-	(367)
Accretion of discount less amortisation of premium	(1,526)	-	(1,526)	-
Provision/(writeback) for diminution in value of investment securities	366	(898)	366	(898)
Provision for income-in-suspense	6,255	6,310	1,847	243
Provision for losses on loans, advances and financing	13,433	11,490	4,065	2,644
Cash flow from operating profit before changes in operating assets and liabilities	114,670	117,507	23,479	16,949
(Increase)/decrease in operating assets				
Deposits with finance company	30,000	-	-	30,000
Dealing securities	882,742	(436,202)	560,757	(112,359)
Loans, advances and financing	(377,479)	(142,312)	(229,422)	(166,852)
Statutory deposits with Bank Negara Malaysia	7,872	(14,734)	-	-
Other assets	(18,211)	38,890	(17,706)	5,518
Increase/(decrease) in operating liabilities				
Deposits from customers	93,563	39,568	(388,672)	251,622
Deposits and placements of banks and other financial institutions	272,850	25,170	279,000	3,100
Obligations on securities sold under repurchase agreements	119,509	(169,343)	119,509	(169,343)
Bills and acceptances payable	442	921	442	921
Other liabilities	(132,543)	(185,289)	(4,716)	(6,733)
Net cash from/(used in) operating activities	993,415	(725,824)	342,671	(147,177)

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notes to the financial statements (continued)

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42. THE OPERATIONS OF ISLAMIC BANKING (continued)

Cash flow statements for the financial year ended 30 June 2004 (continued)

Note	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash flows from/(used in) investing activities				
Proceeds from disposal/(purchase) of investment securities	(5,078)	545,588	(85,078)	42,293
Purchase of fixed assets	-	(74)	-	-
Net cash (used in)/from investing activities	(5,078)	545,514	(85,078)	42,293
Net increase/(decrease) in cash and cash equivalents during the financial year	988,337	(180,310)	257,593	(104,884)
Cash and cash equivalents at beginning of the financial year	130,763	311,073	56,815	161,699
Cash and cash equivalents at end of the financial year	(a) 1,119,100	130,763	314,408	56,815

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
(a) Cash and short-term funds				
Cash and balances with banks and other financial institutions	29,715	19,263	23	115
Money at call and deposit placements maturing within one month	1,089,385	111,500	314,385	56,700
	1,119,100	130,763	314,408	56,815

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notes to the financial statements (continued)

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42. THE OPERATIONS OF ISLAMIC BANKING (continued)

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
(b) Dealing securities				
BNM negotiable notes	-	363,056	-	363,056
Malaysian Government investment certificates	-	215,287	-	215,287
Bankers' acceptances and Islamic accepted bills	1,858	322,402	-	43,096
Islamic debt securities	9,995	15,831	9,995	15,831
Khazanah bonds	-	8,620	-	8,620
Negotiable instruments of deposit	228,040	197,345	228,040	152,808
	239,893	1,122,541	238,035	798,698
(c) Investment securities				
Money market instruments:				
Malaysian Government investment certificates	93,774	80,000	93,774	-
Khazanah bonds	9,027	-	9,027	-
	102,801	80,000	102,801	-
Unquoted securities:				
Shares	575	325	575	325
Islamic debt securities	25,351	42,258	25,351	42,258
	128,727	122,583	128,727	42,583
The maturity structure of money market instruments held for investment is as follows:				
Maturity within:				
- one year to five years	102,801	80,000	102,801	-



notes to the financial statements (continued)

for the financial year ended 30 June 2004

42. THE OPERATIONS OF ISLAMIC BANKING (continued)

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
(d) Loans, advances and financing				
Overdrafts	3,832	561	3,832	561
Term loans	1,378,385	1,071,473	1,040,941	733,368
Hire purchase	1,657,408	1,532,148	-	-
Staff financing	72	28	-	-
Claims on customers under acceptance credits	6,424	20,189	6,424	20,189
Revolving credits	-	21,333	-	-
Other financing	6,059	5,145	-	-
	3,052,180	2,650,877	1,051,197	754,118
Unearned income	(800,771)	(767,753)	(405,781)	(338,124)
Gross loans, advances and financing	2,251,409	1,883,124	645,416	415,994
Income-in-suspense	(17,655)	(13,180)	(2,278)	(431)
Provision for bad and doubtful debts and financing:				
- specific	(30,125)	(19,064)	(597)	(175)
- general	(38,801)	(43,843)	(9,861)	(6,218)
Total net loans, advances and financing	2,164,828	1,807,037	632,680	409,170
 (i) Loans, advances and financing analysed by concepts are as follows:				
Al-Murabahah	88	88	-	-
Al-Ijarah	2,263	2,268	-	-
Al-Ijarah Thumma Al-Bai'	1,417,657	1,272,537	-	-
Al-Manzil Bai' Bithaman Ajil	828,514	605,344	645,416	415,994
Al-Musyarakah	2,887	2,887	-	-
	2,251,409	1,883,124	645,416	415,994
 (ii) The maturity structure of loans, advances and financing is as follows:				
Maturing within:				
- one year	114,131	100,879	8,336	28,919
- one year to three years	369,831	302,148	38,932	31,301
- three years to five years	820,751	600,400	105,266	42,131
- over five years	946,696	879,697	492,882	313,643
	2,251,409	1,883,124	645,416	415,994

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notes to the financial statements (continued)

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42. THE OPERATIONS OF ISLAMIC BANKING (continued)

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
(d) Loans, advances and financing (continued)				
(iii) Loans, advances and financing analysed by their economic purposes are as follows:				
Agricultural	44,939	9,014	41,113	5,889
Mining and quarrying	1,057	1,190	-	-
Manufacturing	109,825	34,239	79,014	16,194
Electricity, gas and water	2,659	2,895	352	381
Construction	77,469	18,251	58,302	7,877
Real estate	16,606	8,381	15,195	7,091
Purchase of landed property:	539,406	499,997	363,986	316,145
- residential	473,484	416,085	321,949	256,339
- non-residential	65,922	83,912	42,037	59,806
General commerce	62,893	46,875	29,624	25,156
Transport, storage and communication	30,170	26,333	22,945	20,814
Finance, insurance and business services	12,172	11,971	5,109	5,410
Purchase of securities	5,501	15,536	-	-
Purchase of transport vehicles	1,291,514	1,175,635	51	54
Consumption credit	4,384	3,850	4,372	3,835
Others	52,814	28,957	25,353	7,148
	2,251,409	1,883,124	645,416	415,994
(iv) Movements in the provision for bad and doubtful debts and financing and income-in-suspense accounts are as follows:				
Income-in-suspense ("IIS")				
As at beginning of the year	13,180	7,070	431	188
Provisions made during the year	17,686	19,493	2,904	1,013
Amount written back	(11,431)	(13,183)	(1,057)	(770)
Amount written off	(1,780)	(200)	-	-
As at end of the year	17,655	13,180	2,278	431
Specific provision ("SP")				
As at beginning of the year	19,064	8,727	175	16
Provisions made during the year	25,462	28,650	613	272
Amount written back	(6,987)	(12,817)	(191)	(113)
Amount written off	(7,414)	(5,496)	-	-
As at end of the year	30,125	19,064	597	175



notes to the financial statements (continued)

for the financial year ended 30 June 2004

42. THE OPERATIONS OF ISLAMIC BANKING (continued)

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
(d) Loans, advances and financing (continued)				
(iv) Movements in the provision for bad and doubtful debts and financing and income-in-suspense accounts are as follows: (continued)				
General provision ("GP")				
As at beginning of the year	43,843	48,186	6,218	3,733
Provisions made during the year	3,643	2,485	3,643	2,485
Amount written back	(8,685)	(6,828)	-	-
As at end of the year	38,801	43,843	9,861	6,218
(as % of total loans less SP and IIS)	1.8%	2.4%	1.5%	1.5%
(v) Movements in the non-performing loans and financing are as follows:				
As at beginning of the year	103,090	75,544	5,702	1,989
Non-performing during the year	238,947	220,172	63,404	25,200
Accrued income on existing non-performing loans and financing	640	320	640	320
Performing during the year	(197,112)	(143,273)	(56,293)	(19,478)
Amount written back in respect of recoveries	(23,818)	(43,977)	(3,333)	(2,329)
Amount written off	(9,194)	(5,696)	-	-
As at end of the year	112,553	103,090	10,120	5,702
Ratio of non-performing loans to total loans, both net of SP and IIS	2.9%	3.8%	1.1%	1.2%
(e) Other assets				
Other debtors, deposits and prepayments	78,020	48,001	77,991	51,101
Income receivable	2,100	13,908	1,384	10,568
	80,120	61,909	79,375	61,669

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notes to the financial statements (continued)

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42. 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
(f) Fixed assets				
2004				
The Group				
Cost				
As at beginning/end of the year	309	211	5	525
Accumulated depreciation				
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
Net book value as at 30 June 2004	144	12	4	160
2003				
The Group				
Cost				
As at beginning of the year	268	183	-	451
Additions	41	28	5	74
As at end of the year	309	211	5	525
Accumulated depreciation				
As at beginning of the year	111	145	-	256
Charge for the year	23	31	-	54
As at end of the year	134	176	-	310
Net book value as at 30 June 2003	175	35	5	215



notes to the financial statements (continued)

for the financial year ended 30 June 2004

42. THE OPERATIONS OF ISLAMIC BANKING (continued)

	General provision RM'000	Other temporary differences RM'000	Total RM'000
(g) Deferred tax assets			
The Group			
2004			
As at beginning of the year	12,276	1,135	13,411
(Charged)/credited to income statement	(1,412)	1,845	433
As at end of the year	10,864	2,980	13,844
2003			
As at beginning of the year	13,492	-	13,492
(Charged)/credited to income statement	(1,216)	1,135	(81)
As at end of the year	12,276	1,135	13,411
Deferred tax assets			
The Bank			
2004			
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
2003			
As at beginning of the year	1,045	-	1,045
Credited to income statement	696	-	696
As at end of the year	1,741	-	1,741

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notes to the financial statements (continued)

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42. THE OPERATIONS OF ISLAMIC BANKING (continued)

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
(h) Deposits from customers				
Mudharabah funds:				
General investment deposits	2,300,463	2,347,242	394,855	942,864
Non-Mudharabah funds:				
Demand deposits	161,898	107,858	161,898	107,858
Savings deposits	479,622	393,228	329,006	223,617
Others	-	92	-	92
	2,941,983	2,848,420	885,759	1,274,431
(i) Maturity structure of general investment deposits is as follows:				
Due within:				
- six months	2,091,435	2,090,679	332,081	878,928
- six months to one year	201,677	247,570	58,072	58,877
- one year to three years	7,094	8,637	4,702	5,059
- three years to five years	257	356	-	-
	2,300,463	2,347,242	394,855	942,864
(ii) The deposits are sourced from the following customers:				
Business enterprises	754,895	681,824	284,328	379,086
Individuals	569,908	511,511	350,887	242,884
Others	1,617,180	1,655,085	250,544	652,461
	2,941,983	2,848,420	885,759	1,274,431
(i) Deposits and placements of banks and other financial institutions				
Mudharabah funds:				
Licensed banks	104,000	26,100	84,000	-
Licensed finance companies	198,100	3,150	198,100	3,100
	302,100	29,250	282,100	3,100
(j) Other liabilities				
Zakat	27	7	20	-
Profit equalisation reserve	11,255	4,055	2,800	-
Other liabilities	38,067	145,718	4,546	9,262
	49,349	149,780	7,366	9,262
(k) Profit equalisation reserve				
As at beginning of the year	4,055	-	-	-
Provision made during the year	7,200	4,055	2,800	-
As at end of the year	11,255	4,055	2,800	-



notes to the financial statements (continued)

for the financial year ended 30 June 2004

42. THE OPERATIONS OF ISLAMIC BANKING (continued)

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
(I) Income derived from investment of general investment deposits				
Finance income and hibah				
Loans, advances and financing	136,657	136,821	27,659	19,061
Investment securities	4,291	4,544	2,510	1,345
Dealing securities	24,802	21,690	17,407	13,838
Money at call and deposit with financial institutions	9,298	12,581	2,934	7,284
	175,048	175,636	50,510	41,528
Other dealing income				
Net (loss)/gain from sale of dealing securities	(1,754)	432	(1,754)	432
	(1,754)	432	(1,754)	432
Other revenue income				
Gain from sale of investment securities	-	351	-	351
(Provision)/writeback of diminution in investment securities	(347)	859	(347)	859
	(347)	1,210	(347)	1,210
Fee and commission income				
Commissions	226	326	226	326
Service charges and fees	3,600	3,129	1,317	1,207
Guarantee fees	2	6	2	6
Other fee income	48	24	48	24
	3,876	3,485	1,593	1,563
Other income				
Others	36	1,044	3	17
	36	1,044	3	17
	176,859	181,807	50,005	44,750

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.

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.

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42. THE OPERATIONS OF ISLAMIC BANKING (continued)

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
(m) Income attributable to depositors				
Deposits from customers				
- Mudharabah Fund	64,572	75,312	17,960	22,605
- Non-Mudharabah Fund	7,684	7,188	4,386	3,146
Deposits and placements of banks and other financial institution				
- Mudharabah Fund	7,380	2,885	5,787	2,247
	79,636	85,385	28,133	27,998
(n) Income derived from investment of Islamic banking capital funds				
Finance income and hibah				
Loans, advances and financing	15,770	16,966	1,529	867
Investment securities	372	498	139	61
Dealing securities	1,929	1,703	963	630
Money at call and deposit with financial institutions	994	1,056	162	331
	19,065	20,223	2,793	1,889
Other dealing income				
Net (loss)/gain from sale of dealing securities	(97)	20	(97)	20
	(97)	20	(97)	20
Other revenue income				
Gain on sale of investment securities	-	16	-	16
(Provision)/writeback for diminution in investment securities	(19)	39	(19)	39
	(19)	55	(19)	55
Fee and commission income				
Commissions	13	15	13	15
Service charges and fees	371	318	73	55
Guarantee fees	-	-	-	-
Other fee income	3	1	3	1
	387	334	89	71
Other income				
Others	5	141	-	1
	5	141	-	1
	19,341	20,773	2,766	2,036
(o) Provision for losses on loans, advances and financing				
Provision for bad and doubtful debts and financing:				
- Specific provision(net)	18,475	15,833	422	159
- General provision(net)	(5,042)	(4,343)	3,643	2,485
- Bad debts written off/(recovered)	5	(5)	-	-
	13,438	11,485	4,065	2,644



notes to the financial statements (continued)

for the financial year ended 30 June 2004

42. THE OPERATIONS OF ISLAMIC BANKING (continued)

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
(p) Overhead expenses				
Personnel costs	1,789	1,400	1,245	433
Establishment costs	467	351	224	106
Marketing expenses	3,703	2,884	164	174
Administration and general expenses	1,080	157	213	104
	7,039	4,792	1,846	817

The number of employees as at the end of the financial year was 16 (2003: 18) for the Group and 8 (2003: 8) for the Bank at the Head Office Islamic Banking Division. The composition of personnel costs for them are as follows:

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Wages, salaries and bonuses	1,447	1,071	990	329
Contribution to defined contribution plan	180	155	126	48
Other staff related costs	162	174	129	56
	1,789	1,400	1,245	433

(q) Taxation and zakat

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Malaysian income tax	25,321	27,041	6,263	4,988
Under/(over) provision in prior years	16	1,231	-	(1,608)
Transfer (to)/from deferred taxation	(433)	81	(1,804)	(696)
Zakat	20	-	20	-
	24,924	28,353	4,479	2,684

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

	The Group		The Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Profit before taxation and zakat	88,887	96,863	15,927	15,327
Tax calculated at a rate of 28%	24,888	27,122	4,459	4,292
Under/(over) provision in prior years	16	1,231	-	(1,608)
Tax expense	24,904	28,353	4,459	2,684

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notes to the financial statements (continued)

for the financial year ended 30 June 2004

42. THE OPERATIONS OF ISLAMIC BANKING (continued)

(r) Capital adequacy

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

	The Bank	
	2004 RM'000	2003 RM'000
Tier-1 capital	68,616	58,972
Tier-2 capital	9,861	6,218
Capital base	78,477	65,190
Capital ratios		
Core capital ratio	10.82%	12.73%
Risk-weighted capital ratio	12.38%	14.08%

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

	The Bank	
	2004 RM'000	2003 RM'000
Tier-1 capital		
Islamic Banking Fund*	68,616	58,972
Total Tier-1 capital	68,616	58,972
Tier-2 capital		
General provision for bad and doubtful debts	9,861	6,218
Total Tier-2 capital	9,861	6,218
Total capital base	78,477	65,190

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

	The Bank	
	2004 RM'000	2003 RM'000
0%	220,849	628,634
10%	-	-
20%	462,640	215,904
50%	318,713	258,287
100%	382,166	290,787
	1,384,368	1,393,612
Total risk-weighted assets	634,051	463,111

* Adjusted for effects of deferred taxation.



notes to the financial statements (continued)

for the financial year ended 30 June 2004

42. THE OPERATIONS OF ISLAMIC BANKING (continued)

(s) Commitments and contingencies

	2004		The Group		2003	
	Principal RM'000	Credit equivalent RM'000	Principal RM'000	Credit equivalent RM'000	Principal RM'000	Credit equivalent RM'000
Certain transaction-related contingent items	136	68	321	161		
Short-term self-liquidating trade-related contingencies	460	92	20,587	4,117		
Irrevocable commitment to extend credit:						
- maturity more than one year	206,418	103,209	219,421	109,710		
- maturity less than one year	10,854	-	2,176	-		
	217,868	103,369	242,505	113,988		

	2004		The Bank		2003	
	Principal RM'000	Credit equivalent RM'000	Principal RM'000	Credit equivalent RM'000	Principal RM'000	Credit equivalent RM'000
Certain transaction-related contingent items	136	68	321	161		
Short-term self-liquidating trade-related contingencies	460	92	20,587	4,117		
Irrevocable commitment to extend credit:						
- maturity more than one year	153,522	76,761	138,543	69,271		
- maturity less than one year	10,544	-	2,176	-		
	164,662	76,921	161,627	73,549		

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notes to the financial statements (continued)

for the financial year ended 30 June 2004

42. 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 23.

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.

	2004		2003	
	Subsidiary Companies RM'000	Other related Companies RM'000	Subsidiary Companies RM'000	Other related Companies RM'000
Income				
Interest:				
- private debt securities	-	815	-	815
- interbank placement	74	-	3,290	-
Expenditure				
Interest on interbank borrowing	389	-	11	-
Amounts due from:				
Interbank placement	-	-	10,000	-
Private debt securities	-	9,867	-	9,867
Amounts due to:				
Interbank borrowing	198,100	-	3,100	-



notes to the financial statements (continued)

for the financial year ended 30 June 2004

42. 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 2004	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	Over 5 years RM'000	No contractual maturity RM'000	Total RM'000
Assets								
Cash and short term funds	1,089,385	-	-	-	-	-	29,715	1,119,100
Dealing securities	1,858	203,420	24,620	9,995	-	-	-	239,893
Investment securities	-	-	-	-	128,619	-	108	128,727
Loans, advances and financing	70,021	14,024	5,709	24,377	1,190,582	946,696	(86,581)*	2,164,828
Other assets	-	-	-	-	-	-	80,120	80,120
Statutory deposits with BNM	-	-	-	-	-	-	58,650	58,650
Fixed assets	-	-	-	-	-	-	160	160
Deferred tax assets	-	-	-	-	-	-	13,844	13,844
Total assets	1,161,264	217,444	30,329	34,372	1,319,201	946,696	96,016	3,805,322

The Group 2003	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	Over 5 years RM'000	No contractual maturity RM'000	Total RM'000
Assets								
Cash and short term funds	111,500	-	-	-	-	-	19,263	130,763
Deposits with finance company	-	30,000	-	-	-	-	-	30,000
Dealing securities	231,788	470,447	170,576	145,457	98,344	5,929	-	1,122,541
Investment securities	-	-	-	96,079	26,179	-	325	122,583
Loans, advances and financing	62,107	12,347	5,653	20,772	902,548	879,697	(76,087)*	1,807,037
Other assets	-	-	-	-	-	-	61,909	61,909
Statutory deposits with BNM	-	-	-	-	-	-	66,522	66,522
Fixed assets	-	-	-	-	-	-	215	215
Deferred tax assets	-	-	-	-	-	-	13,411	13,411
Total assets	405,395	512,794	176,229	262,308	1,027,071	885,626	85,558	3,354,981

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

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notes to the financial statements (continued)

for the financial year ended 30 June 2004

42. THE OPERATIONS OF ISLAMIC BANKING (continued)

(u) Maturities of assets (continued)

	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	Over 5 years RM'000	No contractual maturity RM'000	Total RM'000
The Bank 2004								
Assets								
Cash and short term funds	314,385	-	-	-	-	-	23	314,408
Dealing securities	-	203,420	24,620	9,995	-	-	-	238,035
Investment securities	-	-	-	-	128,619	-	108	128,727
Loans, advances and financing	2,425	2,577	191	3,143	144,198	492,882	(12,736)*	632,680
Other assets	-	-	-	-	-	-	79,375	79,375
Deferred tax assets	-	-	-	-	-	-	3,545	3,545
Total assets	316,810	205,997	24,811	13,138	272,817	492,882	70,315	1,396,770

	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	Over 5 years RM'000	No contractual maturity RM'000	Total RM'000
The Bank 2003								
Assets								
Cash and short term funds	56,700	-	-	-	-	-	115	56,815
Dealing securities	137,973	288,818	122,178	145,457	98,344	5,928	-	798,698
Investment securities	-	-	-	16,079	26,179	-	325	42,583
Loans, advances and financing	8,949	11,320	2,111	6,539	73,432	313,643	(6,824)*	409,170
Other assets	-	-	-	-	-	-	61,669	61,669
Deferred tax assets	-	-	-	-	-	-	1,741	1,741
Total assets	203,622	300,138	124,289	168,075	197,955	319,571	57,026	1,370,676

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



notes to the financial statements (continued)

for the financial year ended 30 June 2004

42. THE OPERATIONS OF ISLAMIC BANKING (continued)

(v) Credit risk

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	Statutory deposits with Bank Negara Malaysia RM'000	On-balance sheet total RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	-	-	44,938	-	-	44,938	30,943
Mining and quarrying	-	-	-	1,024	-	-	1,024	-
Manufacturing	-	9,995	-	109,150	4	-	119,149	12,593
Electricity, gas and water	-	-	25,351	2,636	102	-	28,089	70
Construction	-	-	-	77,263	-	-	77,263	13,400
Real estate	-	-	-	15,475	-	-	15,475	1,246
Purchase of landed property	-	-	-	-	-	-	-	-
- Residential	-	-	-	470,867	-	-	470,867	74,431
- Non-residential	-	-	-	55,858	-	-	55,858	12,196
General commerce	-	-	-	62,881	-	-	62,881	6,787
Transport, storage and communications	-	-	-	29,924	-	-	29,924	-
Finance, insurance and business services	621,055	229,898	-	12,172	1,331	-	864,456	-
Government and government agencies	498,045	-	102,801	-	644	58,650	660,140	-
Purchase of securities	-	-	-	5,501	-	-	5,501	-
Purchase of transport vehicles	-	-	-	1,259,546	-	-	1,259,546	42,856
Consumption credit	-	-	-	3,958	-	-	3,958	7,207
Others	-	-	-	52,436	19	-	52,455	16,139
	1,119,100	239,893	128,152	2,203,629	2,100	58,650	3,751,524	217,868

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notes to the financial statements (continued)

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42. THE OPERATIONS OF ISLAMIC BANKING (continued)

(v) Credit risk (continued)

The Group 2003	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	Statutory deposits with Bank Negara Malaysia RM'000	On-balance sheet total RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	-	-	9,014	-	-	9,014	7,273
Mining and quarrying	-	-	-	1,172	-	-	1,172	77
Manufacturing	-	9,901	-	33,893	2	-	43,796	5,024
Electricity, gas and water	-	-	36,724	2,883	204	-	39,811	102
Construction	-	-	-	18,126	-	-	18,126	123
Real estate	-	-	-	7,785	-	-	7,785	2,550
Purchase of landed property	-	-	-	408,678	-	-	408,678	152,907
- Residential	-	-	-	78,287	-	-	78,287	1,022
- Non-residential	-	-	-	45,779	-	-	45,779	1,131
General commerce	-	-	-	45,779	-	-	45,779	1,131
Transport, storage and communications	-	5,930	-	26,204	23	-	32,157	25
Finance, insurance and business services	124,063	519,747	-	11,971	1,256	66,522	723,559	410
Government and government agencies	36,700	586,963	85,534	-	12,319	-	721,516	-
Purchase of securities	-	-	-	14,454	-	-	14,454	281
Purchase of transport vehicles	-	-	-	1,160,236	-	-	1,160,236	44,250
Consumption credit	-	-	-	3,850	-	-	3,850	1,433
Others	-	-	-	28,548	104	-	28,652	25,897
	160,763	1,122,541	122,258	1,850,880	13,908	66,522	3,336,872	242,505



notes to the financial statements (continued)

for the financial year ended 30 June 2004

42. THE OPERATIONS OF ISLAMIC BANKING (continued)

(v) 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	Statutory deposits with Bank Negara Malaysia RM'000	On-balance sheet total RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	-	-	41,112	-	-	41,112	30,917
Mining and quarrying	-	-	-	-	-	-	-	-
Manufacturing	-	9,995	-	78,996	4	-	88,995	12,518
Electricity, gas and water	-	-	25,351	352	102	-	25,805	-
Construction	-	-	-	58,302	-	-	58,302	13,400
Real estate	-	-	-	15,195	-	-	15,195	1,246
Purchase of landed property	-	-	-	-	-	-	-	-
- Residential	-	-	-	319,332	-	-	319,332	65,056
- Non-residential	-	-	-	41,850	-	-	41,850	12,064
General commerce	-	-	-	29,612	-	-	29,612	6,772
Transport, storage and communications	-	-	-	22,945	-	-	22,945	-
Finance, insurance and business services	233,263	228,040	-	5,109	938	-	467,350	-
Government and government agencies	81,145	-	102,801	-	321	-	184,267	-
Purchase of securities	-	-	-	-	-	-	-	-
Purchase of transport vehicles	-	-	-	51	-	-	51	-
Consumption credit	-	-	-	4,367	-	-	4,367	6,840
Others	-	-	-	25,318	19	-	25,337	15,849
	314,408	238,035	128,152	642,541	1,384	-	1,324,520	164,662

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notes to the financial statements (continued)

for the financial year ended 30 June 2004

42. THE OPERATIONS OF ISLAMIC BANKING (continued)

(v) Credit risk (continued)

The Bank 2003	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	Statutory deposits with Bank Negara Malaysia RM'000	On-balance sheet total RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	-	-	5,889	-	-	5,889	7,198
Mining and quarrying	-	-	-	-	-	-	-	-
Manufacturing	-	9,901	-	16,194	2	-	26,097	4,926
Electricity, gas and water	-	-	36,724	381	204	-	37,309	-
Construction	-	-	-	7,860	-	-	7,860	93
Real estate	-	-	-	7,091	-	-	7,091	2,550
Purchase of landed property	-	-	-	-	-	-	-	-
- Residential	-	-	-	255,811	-	-	255,811	118,507
- Non-residential	-	-	-	59,755	-	-	59,755	990
General commerce	-	-	-	25,153	-	-	25,153	949
Transport, storage and communications	-	5,930	-	20,814	23	-	26,767	-
Finance, insurance and business services	56,815	195,904	-	5,410	310	-	258,439	-
Government and government agencies	-	586,963	5,534	-	9,925	-	602,422	-
Purchase of securities	-	-	-	-	-	-	-	-
Purchase of transport vehicles	-	-	-	54	-	-	54	-
Consumption credit	-	-	-	3,835	-	-	3,835	1,021
Others	-	-	-	7,141	104	-	7,245	25,393
	56,815	798,698	42,258	415,388	10,568	-	1,323,727	161,627

(w) Shariah Advisor

Islamic Banking and Finance Institute of Malaysia Sdn Bhd ('IBFIM') has been appointed as Shariah Advisor for the financial year.

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 39 to 124 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 2004 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 applicable approved accounting standards in Malaysia and Bank Negara Malaysia Guidelines.

On behalf of the Board

Yvonne Chia

Zulkiflee Hashim

Kuala Lumpur
27 August 2004

statutory declaration

pursuant to section 169(16) of the companies act, 1965

I, Kevin Soo Weng Kong, 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 39 to 124 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 Kevin Soo Weng Kong)	
at Kuala Lumpur in Wilayah Persekutuan)	
on 27 August 2004)	KEVIN SOO WENG KONG

Before me,

Teong Kian Meng

Commissioner for Oaths
27 August 2004

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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 39 to 124.

These financial statements are the responsibility of the Bank's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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 statements 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 applicable 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 2004 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. 1867/09/04 (J))
Partner

Kuala Lumpur
27 August 2004

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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 13 SEPTEMBER 2004

Authorised share capital	: RM3,000,000,000
Issued & paid-up capital	: RM1,580,107,034
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 as at 13 September 2004

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	185	1.18	6,131	0.00
100 – 1,000	3,155	20.12	2,753,043	0.17
1,001 – 10,000	10,431	66.53	38,006,107	2.41
10,001 – 100,000	1,531	9.77	44,694,950	2.83
100,001 – less than 5% of issued shares	373	2.38	426,511,269	26.99
5% and above of issued shares	3	0.02	1,068,135,534	67.60
	15,678	100.00	1,580,107,034	100.00

List of thirty largest shareholders as at 13 September 2004

Names of Shareholders	No. of Shares	%
1. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Credit Berhad	826,140,168	52.28
2. Hong Leong Credit Berhad	122,833,332	7.77
3. Employees Provident Fund Board	119,162,034	7.54
4. Amanah Raya Nominees (Tempatan) Sdn Bhd - Skim Amanah Saham Bumiputera	26,906,000	1.70
5. HSBC Nominees (Asing) Sdn Bhd - Emerging Markets Growth Fund	24,190,000	1.53
6. Citicorp Nominees (Asing) Sdn Bhd - Goldman Sachs International	22,583,200	1.43
7. Kurnia Insurans (Malaysia) Berhad	21,742,000	1.38
8. Valuecap Sdn Bhd	18,800,000	1.19



other information (continued)

2. ANALYSIS OF SHAREHOLDINGS AS AT 13 SEPTEMBER 2004 (continued)

List of thirty largest shareholders as at 13 September 2004 (continued)

Names of Shareholders	No. of Shares	%
9. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad	18,095,500	1.15
10. HSBC Nominees (Asing) Sdn Bhd - New World Fund Incorporated	15,060,000	0.95
11. Permodalan Nasional Berhad	9,960,000	0.63
12. Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Malaysia	8,313,700	0.53
13. Bumiputra-Commerce Nominees (Tempatan) Sdn. Bhd. - Koperasi Polis Diraja Malaysia Berhad	8,036,066	0.51
14. HSBC Nominees (Asing) Sdn Bhd - Prudential Assurance Company Ltd	7,284,600	0.46
15. Cartaban Nominees (Asing) Sdn Bhd - Government Of Singapore	6,700,300	0.42
16. HSBC Nominees (Asing) Sdn Bhd - Capital International Emerging Markets Investment Fund	5,416,000	0.34
17. Kurnia Damai Sdn. Bhd.	5,000,000	0.32
18. HLG Nominee (Tempatan) Sdn Bhd - Chew Brothers Development Corporation Sdn Bhd	4,659,385	0.29
19. Cartaban Nominees (Asing) Sdn Bhd - Liberty Newport Tiger Fund	4,423,800	0.28
20. HSBC Nominees (Asing) Sdn Bhd - International Common Trust Fund	4,397,400	0.28
21. Pertubuhan Keselamatan Sosial	4,101,000	0.26
22. HSBC Nominees (Asing) Sdn Bhd - New Asia Fund	3,987,900	0.25
23. HSBC Nominees (Asing) Sdn Bhd - Kwek Leng Hai	3,935,000	0.25
24. HSBC Nominees (Asing) Sdn Bhd - The Emerging Markets Portfolio	3,314,600	0.21
25. HSBC Nominees (Asing) Sdn Bhd - Abu Dhabi Investment Authority	3,311,814	0.21
26. Low Poh Weng	3,300,000	0.21



other information

2. ANALYSIS OF SHAREHOLDINGS AS AT 13 SEPTEMBER 2004 (continued)

List of thirty largest shareholders as at 13 September 2004 (continued)

Names of Shareholders	No. of Shares	%
27. HSBC Nominees (Asing) Sdn Bhd - Oppenheim Kapitalanlagegesellschaft	3,104,600	0.20
28. Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Wawasan 2020	3,000,000	0.19
29. Mayban Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Simpanan Pekerja	2,776,200	0.18
30. HSBC Nominees (Tempatan) Sdn Bhd - Employees Provident Fund	2,748,000	0.17
	1,313,282,599	83.11

Substantial shareholders as at 13 September 2004

Names of Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
Hong Leong Credit Berhad	948,973,500	60.06	3,275,400#	0.20
Hong Leong Company (Malaysia) Berhad	-	-	952,248,900*	60.26
Tan Sri Quek Leng Chan	40,000	0.002	952,248,900**	60.26
HL Holdings Sdn Bhd	-	-	952,248,900**	60.26
Kwek Holdings Pte Ltd	-	-	952,248,900**	60.26
Kwek Leng Beng	-	-	952,248,900**	60.26
Hong Realty (Private) Limited	-	-	952,248,900**	60.26
Hong Leong Investment Holdings Pte Ltd	-	-	952,248,900**	60.26
Davos Investment Holdings Private Limited	-	-	952,248,900**	60.26
Kwek Leng Kee	202,500	0.01	952,248,900**	60.26
Quek Leng Chye	-	-	952,248,900**	60.26
Guoco Assets Sdn Bhd	-	-	952,248,900*	60.26
Guoline Overseas Limited	-	-	952,248,900*	60.26
Guoco Group Limited	-	-	952,248,900*	60.26
Guoline Capital Assets Limited	-	-	952,248,900*	60.26
Employees Provident Fund Board	127,865,034	8.09	-	-

Notes:

* Deemed interest through Hong Leong Credit Berhad

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

Deemed interest through subsidiaries



other information (continued)

3. DIRECTORS' INTERESTS AS AT 13 SEPTEMBER 2004

Subsequent to the financial year end, there is no change as at 13 September 2004 to the Directors' interests in the ordinary shares/warrants/options/irredeemable convertible unsecured loan stocks of the Bank and/or its related corporations, appearing in the Directors' Report on pages 34 to 36 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:

	Ordinary shares			
	Direct		Indirect	
	No. of shares	%	No. of shares	%
YBhg Tan Sri Quek Leng Chan				
Hong Leong Bank Berhad	No change		952,248,900	60.26
Hong Leong Industries Berhad	No change		131,139,900	60.16
Guolene Packaging Industries Berhad	-	-	69,923,361	96.43
Ms Yvonne Chia				
Hong Leong Bank Berhad	20,000	0.001	-	-
Mr Tsui King Chung, David				
Guoco Group Limited	2,000	^	-	-

^ negligible



other information (continued)

4. LIST OF PROPERTIES

Location	Tenure	Description of property held	Gorss 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	70	7,530	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	5	2,527	26/6/1997
42, Jalan Pending 93450 Kuching Sarawak	Leasehold - 999 years (31/12/2779)	Branch premises	4,425	22	2,499	27/12/1983
133, 135 & 137 Jalan Kampong Nyabor 96000 Sibu Sarawak	Freehold	Branch premises	4,871	12	3,295	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	13	1,560	29/6/1996
69, 70 & 71, Jalan Dato' Bandar Tunggal 70000 Seremban Negri Sembilan Darul Khusus	Freehold	Branch premises	6,000	Pre-war	1,507	27/12/1994
26, Lorong Rahim Kajai 14 Taman Tun Dr Ismail 60000 Kuala Lumpur	Freehold	Branch premises	3,750	18	582	30/12/1986
120-122, Jalan Mersing 86000 Kluang Johor Darul Takzim	Leasehold - 99 years (22/8/2063)	Branch premises	3,355	38	782	31/5/1990
100, Jalan Gurney 72100 Bahau Negri Sembilan Darul Khusus	Freehold	Branch premises	5,107	18	2,678	25/6/1992



other information (continued)

4. LIST OF PROPERTIES (continued)

Location	Tenure	Description of property held	Gorss area (Sq-ft)	Approx. Age (years)	Net book value (RM'000)	Date of acquisition
12, 14 & 16, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	4,174	13	4,013	25/6/1992
6, Jalan Merdeka 96100 Sarikei Sarawak	Leasehold - 60 years (31/12/2029)	Branch premises	2,240	35	128	18/10/1969
Vacant land at Jalan Peace Kuching, Lot 2081 Section 64 KTLD, Sarawak	Leasehold - 99 years (31/12/2037)	Vacant land	22,172	n/a	43	31/12/1967
63 & 65, Jalan SS 23/15 47400 Petaling Jaya Selangor Darul Ehsan	Freehold	Branch premises	4,760	9	3,824	28/4/1997
24, Medan Taming 2 Taman Taming Jaya 43300 Balakong Selangor Darul Ehsan	Freehold	Branch premises	3,037	8	1,314	28/4/1997
1, Jalan Takal 15/21 Seksyen 15 40000 Shah Alam Selangor Darul Ehsan	Leasehold - 99 years (29/6/2086)	Branch premises	2,625	17	1,403	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	10	252	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	9	1,430	26/6/1997
Lot 34, Industrial Land 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Warehouse	96,219	10	2,804	26/1/1995
1540, Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman	Leasehold - 55 years (28/2/2028)	Branch premises	10,619	29	66	30/6/1977



other information (continued)

4. LIST OF PROPERTIES (continued)

Location	Tenure	Description of property held	Gorss area (Sq-ft)	Approx. Age (years)	Net book value (RM'000)	Date of acquisition
9A & 9B, Jalan Kampong Baru 08000 Sungai Petani Kedah Darul Aman	Freehold	Branch premises	9,320	11	991	1/1/1994
31, Jalan Ibrahim 08000 Sungai Petani Kedah Darul Aman	Freehold	Branch premises	2,448	20	721	1/7/1988
45, Jalan Burma 10500 Pulau Pinang	Freehold	Branch premises	14,277	26	2,382	24/11/1978
33A-C, Lintang Angsana Bandar Baru Air Hitam 11500 Pulau Pinang	Leasehold - 83 years (8/4/2082)	Branch premises	4,394	9	549	26/12/1995
452, Jalan Pinang 10000 Pulau Pinang	Freehold	Branch premises	2,874	8	1,259	1/12/1996
33 & 34, Taman Usahaniaga Bukit Mertajam 14000 Pulau Pinang	Freehold	Branch premises	4,407	9	1,032	26/3/1996
55-57, Jalan Yang Kalsom 30250 Ipoh Perak Darul Ridzuan	Freehold	Branch premises	11,720	25	1,263	1/10/1984
27, Jalan Dewangsa 31000 Batu Gajah Perak Darul Ridzuan	Leasehold - 79 years (26/2/2078)	Branch premises	4,694	9	322	24/11/1995
232, Jalan Bercham Taman Ria 31400 Ipoh Perak Darul Ridzuan	Leasehold - 93 years (23/11/2092)	Branch premises	2,540	9	316	24/10/1995
75, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan	Freehold	Branch premises	1,900	7	682	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	14	1,340	1/6/1994



other information (continued)

4. LIST OF PROPERTIES (continued)

Location	Tenure	Description of property held	Gorss area (Sq-ft)	Approx. Age (years)	Net book value (RM'000)	Date of acquisition
36, Jalan Midah 1 Taman Midah, Cheras 56000 Kuala Lumpur	Freehold	Branch premises	2,700	17	228	30/11/1984
19, Jalan 54, Desa Jaya 52100 Kepong Selangor Darul Ehsan	Leasehold - 99 years (8/3/2081)	Branch premises	5,859	22	391	29/11/1985
55, Jalan Pasar 55100 Kuala Lumpur	Freehold	Branch premises	4,313	24	346	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	24	557	31/7/1988
161, Jalan Imbi 55100 Kuala Lumpur	Freehold	Branch premises	2,454	8	2,648	14/2/1996
109, Jalan SS 21/37 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan	Freehold	Branch premises	6,446	8	1,750	23/9/1996
8A-C, Jalan Station 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	12,854	11	541	22/10/1977
115, Jalan Genuang Bandar Baru 85000 Segamat Johor Darul Takzim	Freehold	Branch premises	5,460	19	426	21/3/1986
16, Jalan Jaafar 81900 Kota Tinggi Johor Darul Takzim	Leasehold - 99 years (3/9/2071)	Branch premises	5,700	32	305	31/10/1987
109, Main Road 83700 Yong Peng Johor Darul Takzim	Freehold	Branch premises	2,740	16	218	1/9/1988
31 & 32, Jalan Kundang Taman Bukit Pasir 83000 Batu Pahat Johor Darul Takzim	Freehold	Branch premises	8,932	12	564	5/3/1996



other information (continued)

4. LIST OF PROPERTIES (continued)

Location	Tenure	Description of property held	Gorss area (Sq-ft)	Approx. Age (years)	Net book value (RM'000)	Date of acquisition
103, Jalan Rahmat 83000 Batu Pahat Johor Darul Takzim	Freehold	Branch premises	12,222	30	712	30/6/1977
26, Jalan Mersing 80050 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	7,040	20	1,479	22/5/1995
21, Jalan Tun Razak 27600 Raub Pahang Darul Makmur	Freehold	Branch premises	4,480	18	444	26/6/1986
1, Bentong Heights 28700 Bentong Pahang Darul Makmur	Freehold	Branch premises	5,432	36	43	30/6/1977
36, Main Road Tanah Rata 39000 Cameron Highland Pahang Darul Makmur	Leasehold - 99 years (24/11/2039)	Branch premises	1,728	64	176	30/8/1982
241, Lorong Tun Ismail 1 Off Jalan Bukit Ubi 25000 Kuantan Pahang Darul Makmur	Freehold	Branch premises	4,675	9	585	16/6/1995
16A, Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman	Leasehold - 99 years (31/8/2003)	Branch premises	2,125	7	1,406	15/6/1998
U0391, Jalan Rampai WDT 131 87009 Labuan FT	Leasehold - 999 years (30/6/2902)	Branch premises	3,168	19	569	28/8/1985
168, Jalan Putra 12 Pusat Perniagaan Putra Kilang Lama 09000 Kulim Kedah Darul Aman	Leasehold - 99 years (5/8/2095)	Branch premises	5,652	5	513	30/7/1998
15-G-12A Medan Kampung Relau Bayan Point Bandar Bayan Baru 11900 Pulau Pinang	Freehold	Branch premises	5,708	5	1,388	15/7/1999



other information (continued)

4. LIST OF PROPERTIES (continued)

Location	Tenure	Description of property held	Gorss 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	5	1,908	18/12/1999
2828-G-02 & 2828-1-02 Jalan Bagan Luar 12000 Butterworth Pulau Pinang	Freehold	Branch premises	12,173	5	3,259	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	5	3,330	23/11/1999
Plot No 20, Jalan Bidor Raya 35500 Bidor Perak Darul Ridzuan	Freehold	Branch premises	3,243	5	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	4	2,210	23/11/1999
Lots 39 & 40 Kompleks Munshi Abdullah 75100 Melaka	Leasehold - 99 years (24/2/2084)	Branch premises	5,988	5	1,566	31/5/1991
Lots 17 & 18, Mukim Serdang Daerah Bandar Baharu Kedah Darul Aman	Freehold	Branch premises	5,840	3	423	20/9/2000
133 & 135, Jalan Gopeng 31900 Kampar Perak Darul Ridzuan	Freehold	Branch premises	4,700	3	372	13/12/2000
65-67, Jalan Tun HS Lee 50000 Kuala Lumpur	Freehold	Branch premises	2,223	8	5,062	14/10/1996
34, Jalan Yong Shook Lin 46200 Petaling Jaya Selangor Darul Ehsan	Leasehold - 99 years (09/09/2059)	Branch premises	1,875	11	639	26/11/1993



other information (continued)

4. LIST OF PROPERTIES (continued)

Location	Tenure	Description of property held	Gorss area (Sq-ft)	Approx. Age (years)	Net book value (RM'000)	Date of acquisition
8, Jalan Carpenter Street 93000 Kuching Sarawak	Leasehold - 837 years (31/12/2775)	Branch premises	1,860	35	151	25/8/1969
64, Jalan Tun Mustapha 87007 Labuan	Leasehold - 999 years (31/12/2775)	Branch premises	1,370	13	648	30/5/1991
18, Old Street 96008 Sibu Sarawak	Leasehold - 900 years (29/08/2816)	Branch premises	3,624	14	1,234	15/11/1990
486, Jalan Pudu 55100 Kuala Lumpur	Freehold	Vacant premises	2,396	7	1,394	22/8/1997
Lot 3088, Lanang Road Sibu Town District Sarawak	Leasehold - 60 years (31/12/2028)	Godown	3,210	36	35	25/11/1968
Island Road Sibu Lot 454, Block 5 Sibu Town District Sarawak	Leasehold - 60 years (30/11/2055)	Vacant premises	10,587	8	1,279	26/2/1996



branch network

as at 15 September 2004

HEAD OFFICE

Level 2, Wisma Hong Leong
18, Jalan Perak
50450 Kuala Lumpur
Wilayah Persekutuan
Tel: 03-21642828
Fax: 03-21641512

**PENINSULAR MALAYSIA
KUALA LUMPUR**

Level 1, Wisma Hong Leong
18, Jalan Perak
50450 Kuala Lumpur
Tel: 03-21642525
Fax: 03-21641511

147, Jalan Imbi
55100 Kuala Lumpur
Tel: 03-21411402
Fax: 03-21411429

34, 36 & 38, Jalan Petaling
50000 Kuala Lumpur
Tel: 03-20723211
Fax: 03-20700492

47 & 48, Jalan Chow Kit
50350 Kuala Lumpur
Tel: 03-40433458
Fax: 03-40431914

Lots 568-G-17 & 568-1-17
Kompleks Mutiara
3 1/2 Mile, Jalan Ipoh
51200 Kuala Lumpur
Tel: 03-62583799
Fax: 03-62583804

1, Jalan Ambong Kiri Dua#
Kepong Baru
52100 Kuala Lumpur
Tel: 03-62574033
Fax: 03-62519717

28, Lot G-06#
Wisma Bukit Bintang
Jalan Bukit Bintang
55100 Kuala Lumpur
Tel: 03-21642525
Fax: 03-21444802

8 & 10, Jalan 3/50C
Taman Setapak Indah Jaya
Off Jalan Genting Kelang
53300 Kuala Lumpur
Tel: 03-40239046
Fax: 03-40239041

180-0-7 & 180-0-8
Wisma Mahkota
Taman Maluri, Cheras
53700 Kuala Lumpur
Tel: 03-92821507
Fax: 03-92821549

No. 23GM & 25GM#
Pandan Indah
55100 Kuala Lumpur
Tel: 03-42972253
Fax: 03-42972258

6, Jalan Kenanga
55200 Kuala Lumpur
Tel: 03-92221498
Fax: 03-92221507

1-GM, Jalan Perdana 4/6
Pandan Perdana
55300 Kuala Lumpur
Tel: 03-92878735
Fax: 03-92877630

114 & 116, Jalan Cerdas
Taman Connaught, Cheras
56000 Kuala Lumpur
Tel: 03-91021499
Fax: 03-91021497

2, Jalan Kinrara
Taman Kinrara
Jalan Puchong
58200 Kuala Lumpur
Tel: 03-80752994
Fax: 03-80701635

31 & 33, Jalan 1/116B#
Kuchai Entrepreneurs Park
Off Jalan Kuchai Lama
58200 Kuala Lumpur
Tel: 03-79826033
Fax: 03-79809324

30-34, Jalan Awan Hijau
Oversea Union Garden
Jalan Kelang Lama
58200 Kuala Lumpur
Tel: 03-79836611
Fax: 03-79817324

37, Jalan Telawi 3#
Bangsar Baru
59100 Kuala Lumpur
Tel: 03-22833710
Fax: 03-22843349

26, Lorong Rahim Kajai 14
Taman Tun Dr Ismail
60000 Kuala Lumpur
Tel: 03-77293716
Fax: 03-77286312

A54, Jalan Tuanku Empat
Salak South Garden
Off Jalan Sungei Besi
57100 Kuala Lumpur
Tel: 03-79829063
Fax: 03-79829210

36 Jalan Midah 1
Taman Midah, Cheras
56000 Kuala Lumpur
Tel: 03-91308912
Fax: 03-91310433

55 Jalan Pasar
55100 Kuala Lumpur
Tel: 03-92235249
Fax: 03-92225105

No. 2 Jalan Kinrara
Taman Kinrara
Jalan Puchong
58200 Kuala Lumpur
Tel: 03-80752994
Fax: 03-80701635

Ground Floor
Hong Leong Building
117, Jalan Tun H.S. Lee
50000 Kuala Lumpur
Tel: 03-20721511
Fax: 03-20317784

Note:
Cum eBanking Centre

Auditors' report
Other information
Branch network



branch network (continued)

as at 15 September 2004

Ground & 1st Floor,
Bangunan PLC
No. 279 & 281
Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Tel: 03-26916608
Fax: 03-26913629

471, 3rd Mile, Jalan Ipoh
51200 Kuala Lumpur
Tel: 03-40444764
Fax: 03-40444606

111, Jalan Mega Mendung#
Kompleks Bandar
Off Jalan Kelang Lama
58200 Kuala Lumpur
Tel: 03-79814411
Fax: 03-79827811

26, Persiaran Ara Kiri
Lucky Garden, Bangsar
59100 Kuala Lumpur
Tel: 03-2543914
Fax: 03-2543745

No. 3 Jalan 45/26
Taman Sri Rampai
53300 Kuala Lumpur
Tel: 03-40253145
Fax: 03-40254231

No. 71 & 73#
Jalan Radin Tengah Zone J4
Bandar Baru Seri Petaling
57000 Kuala Lumpur
Tel: 03-90581248
Fax: 03-90578041

No. 44 & 46, Block A#
Plaza Sinar, Jalan 8/38D
Taman Sri Sinar
Segambut
51200 Kuala Lumpur
Tel: 03-62729627
Fax: 03-62729736

SELANGOR DARUL EHSAN

91, Lorong Memanda 1
Ampang Point
68000 Ampang
Tel: 03-42532449
Fax: 03-42532505

3, Jalan Takal 15/21
Seksyen 15
40000 Shah Alam
Tel: 03-55109021
Fax: 03-55105307

Wisma Amsteel Securities#
1, Lintang Pekan Baru
Off Jalan Meru
41050 Kelang
Tel: 03-33437677
Fax: 03-33437621

169, Jalan Teluk Pulau
41100 Klang
Tel: 03-33721000
Fax: 03-33727111

1 & 3, Jalan Sri Sarawak 17
Taman Sri Andalas
41200 Klang
Tel: 03-33242545
Fax: 03-33242553

36, Jalan Dato Shahbudin 30
Taman Sentosa
41200 Klang
Tel: 03-51611602
Fax: 03-51611919

Lots 127 & 129
Jalan Sultan
42700 Banting
Tel: 03-31876757
Fax: 03-31876652

174 & 174A, Jalan Besar
42800 Tanjung Sepat
Kuala Langat
Tel: 03-31972059
Fax: 03-31972257

11 & 13, Jalan M/J 1
Taman Majlis Jaya
Jalan Sungai Chua
43000 Kajang
Tel: 03-87376090
Fax: 03-87376517

23 & 24, Jalan KIP 1
Taman Perindustrian KIP
52200 Selangor
Tel: 03-62776310
Fax: 03-62722687

24, Medan Taming 2
Taman Taming Jaya
43300 Balakong
Tel: 03-89615948
Fax: 03-89615951

64, Jalan Stesen
45000 Kuala Selangor
Tel: 03-32895957
Fax: 03-32895955

15 & 16,
Jalan Menteri Besar 2
New Sekinchan
Business Centre
45400 Sekinchan
Tel: 03-8816351
Fax: 03-8816303

80-82, Jalan Othman (1/14)#
46000 Petaling Jaya
Tel: 03-77814259
Fax: 03-77816831

12 & 14, Jalan PJS 11/28A
Metro Bandar Sunway
Bandar Sunway
46150 Petaling Jaya
Tel: 03-56375395
Fax: 03-56375397

18 & 20, Jalan 20/16A
Taman Paramount
46300 Petaling Jaya
Tel: 03-78765115
Fax: 03-78764836

Ground Floor#
26 & 28, SS2/63
47300 Petaling Jaya
Tel: 03-78769646
Fax: 03-78769846

63 & 65, SS23/15
Taman SEA
47400 Petaling Jaya
Tel: 03-78048024
Fax: 03-78044049

Note:
Cum eBanking Centre

**branch network** (continued)

as at 15 September 2004

Lot G-18 & G-19#
Perdana The Palace
Damansara Perdana
47820 Petaling Jaya
Tel: 03-77241357
Fax: 03-77242167

No. 64, Jalan BRP 1/2#
Bukit Rahman Putra
47000 Sungai Buloh
Tel: 03-61574042
Fax: 03-61575610

W-1-0, W-2-0 & W-1-1
Subang Square
Business Centre
Jalan SS 15/4G
47500 Subang Jaya
Tel: 03-56329034
Fax: 03-56328764

No. 1 & 3 Jalan Seri Tanming 1F
Taman Seri Tanming
Batu 9, Cheras
43200 Selangor
Tel: 03-91003770
Fax: 03-91003760

No. 68 Lorong Batu Nilam 4A
Bandar Bukit Tinggi
41200 Klang
Tel: 03-33249490
Fax: 03-33241339

59A, Jalan Welman
48000 Rawang
Tel: 03-60910459
Fax: 03-60916206

39 & 41, Jalan SJ 17
Taman Selayang Jaya
68100 Batu Caves
Tel: 03-61206803
Fax: 03-61206797

Ground Floor#
No. 22 Jalan USJ 10/1
47620 Petaling Jaya
Tel: 03-56367225
Fax: 03-56367230

30 Persiaran Tun Abdul Aziz
43000 Kajang
Tel: 03-87363277
Fax: 03-87368133

No. 14 & 15 Jalan Kenari 1
Bandar Puchong Jaya
47100 Puchong
Tel: 03-58828882
Fax: 03-58829911

26 Jalan Tengku Ampuan
Zabedah D9/D, Section 9
40100 Shah Alam
Tel: 03-58808047
Fax: 03-58808726

29-1 Jalan SP2/1
Seksyen 2
Taman Serdang Perdana
43300 Seri Kembangan
Tel: 03-89430745
Fax: 03-89430867

19 Jalan 54
Desa Jaya
52100 Kepong
Tel: 03-62763701
Fax: 03-62744675

25-G, 27-G, 29-G & 29-1#
Jalan SS21/60
Damansara Utama
47400 Petaling Jaya
Tel: 03-77269822
Fax: 03-77264037

20, Jalan Goh Hock Huat
41400 Klang
Tel: 03-33428036
Fax: 03-33448872

Lot 9, Jalan 227C
46000 Petaling Jaya
Tel: 03-79681120
Fax: 03-79600706

Ground Floor
18, Jalan 14/14
46100 Petaling Jaya
Tel: 03-79568490
Fax: 03-79550425

34 & 36, Jalan Yong Shook Lin
46200 Petaling Jaya
Tel: 03-79581269
Fax: 03-79581032

8, Jalan SG 1/2
Taman Sri Gombak
68100 Batu Caves
Tel: 03-61842492
Fax: 03-61852689

No. 7 & 9
Jalan Bunga Tanjung 6A
Taman Putra
68000 Ampang
Tel: 03-42939988
Fax: 03-42939898

Wisma Keringat 2
No. 17 Lorong Batu Caves 2
68100 Batu Caves
Tel: 03-61877402
Fax: 03-61878042

No. E-01-07 & E-01-08
Jalan Puchong Prima 5/3
Puchong Prima
47100 Puchong
Tel: 03-80607409
Fax: 03-80605427

No. 29 Jalan Anggerik#
Vanilla N 31/N
Kota Kemuning
40460 Shah Alam
Tel: 03-51230898
Fax: 03-51231635

**PERLIS INDERA
KAYANGAN**

40 & 42, Jalan Bukit Lagi
01000 Kangar
Tel: 04-9771888
Fax: 04-9772888

Note:
Cum eBanking Centre



branch network (continued)

as at 15 September 2004

KEDAH DARUL AMAN

24, 26 & 28
Jalan Teluk Wanjah
05200 Alor Setar
Tel: 04-7315269
Fax: 04-7314582

10A, Jalan Kampong Baru
08000 Sungai Petani
Tel: 04-4236117
Fax: 04-4236121

62 & 63, Jalan Bayu Satu
09000 Kulim
Tel: 04-4913606
Fax: 04-4913604

1 & 2, Jalan Raya
09800 Serdang
Tel: 04-4076919
Fax: 04-4076921

1540, Jalan Sultan Badlishah
05000 Alor Setar
Tel: 04-7312037
Fax: 04-7311514

9A & 9B
Jalan Kampong Baru
08000 Sungei Petani
Tel: 04-4205200
Fax: 04-4226012

PULAU PINANG

1, Light Street#
10200 Georgetown
Tel: 04-2615022
Fax: 04-2626360

441-G-1, 441-G-2 & 441-G-3
Jalan Burmah
10350 Pulau Pinang
Tel: 04-2288475
Fax: 04-2288472

294 & 296
Jalan Jelutong
11600 Pulau Pinang
Tel: 04-2813188
Fax: 04-2812148

15-G-1, Bayan Point
Medan Kampung Relau
11900 Pulau Pinang
Tel: 04-6428643
Fax: 04-6428640

2828-G-02 & 2828-1-02
Jalan Bagan Luar
12000 Butterworth
Tel: 04-3315659
Fax: 04-3312145

9 & 10, Jalan Todak 2
Pusat Bandar, Seberang Jaya
13700 Prai
Tel: 04-3972097
Fax: 04-3972094

4 & 6, Lorong Usahaniaga 1
Taman Usahaniaga
14000 Bukit Mertajam
Tel: 04-5370452
Fax: 04-5370454

178 Jalan Panchor Indah
Taman Panchor Indah
Nibong Tebal
14300 Penang
Tel: 04-5942889
Fax: 04-5942886

33A, B & C Lintang Angsana
Bandar Baru Ayer Itam
11500 Penang
Tel: 04-8269836
Fax: 04-8269843

98-G-15, Prima Tanjong
Jalan Fettes
Tanjong Tokong
10470 Penang
Tel: 04-8904188
Fax: 04-8998644

45, Jalan Burma#
10050 Pulau Pinang
Tel: 04-2103500
Fax: 04-2262779

No. 6963 & 6964
Jalan Ong Yi How
Kawasan Perusahaan
Ong Yi How
13400 Butterworth
Tel: 04-3312277
Fax: 04-3322277

19, Jalan Bertam
13200 Kepala Batas
Seberang Prai
Tel: 04-5754900
Fax: 04-5757688

No.1 Lebuhr Kurau 1
Taman Chai Leng
13700 Prai
Tel: 04-3978018
Fax: 04-3977851

No. 723-G-G, 723-H-G &
723-I-G, Jalan Sungai Dua
11700 Pulau Pinang
Tel: 04-6586699
Fax: 04-6586969

PERAK DARUL RIDZUAN

N-20, Jalan Bidor Raya
Off Jalan Persatuan
35500 Bidor
Tel: 05-4341211
Fax: 05-4344313

Ground Floor, Lot-A-G-2#
1, Persiaran Greentown 2
Greentown Business Centre
30450 Ipoh
Tel: 05-2530044
Fax: 05-2542358

17, Jalan Persiaran
Kledang Timur 21
Bandar Baru Menglembu
31450 Ipoh
Tel: 05-2829367
Fax: 05-2829372

28, Medan Silibin
30100 Ipoh
Tel: 05-5266333
Fax: 05-5264333

Note:
Cum eBanking Centre

**branch network** (continued)

as at 15 September 2004

16 & 17

Taman Sitiawan Maju
Jalan Lumut
32000 Sitiawan
Tel: 05-6922316
Fax: 05-6922320

41, Jalan Taiping
34200 Parit Buntar
Tel: 05-7164688
Fax: 05-7163648

53, 55 & 57, Jalan Stesyen
Jalan Stesen
34000 Taiping
Tel: 05-8065229
Fax: 05-8065631

133 & 135 Jalan Gopeng
31900 Kampar
Tel: 05-4665050
Fax: 05-4665191

27 Jalan Dewangsa
31000 Batu Gajah
Tel: 05-3653192
Fax: 05-3653190

75, Jalan Sultan Idris Shah
30000 Ipoh
Tel: 05-2554482
Fax: 05-2547335

55-57, Jalan Yang Kalsom
30250 Ipoh
Tel: 05-2425289
Fax: 05-2542323

No. 91 & 93 Jalan Dato
Lau Pak Khuan
Ipoh Garden
31400 Ipoh
Tel: 05-5495161
Fax: 05-5495158

579 & 579A, Jalan Pasir Puteh
31650 Ipoh
Tel: 05-3228989
Fax: 05-3229641

62, Jalan Pasar
36000 Teluk Intan
Tel: 05-6233639
Fax: 05-6233642

MELAKA

345, Jalan Ong Kim Wee#
75300 Melaka
Tel: 06-2842309
Fax: 06-2830153

150 & 152,
Kompleks Munshi
Abdullah
Jalan Munshi Abdullah
75100 Melaka
Tel: 06-2921212
Fax: 06-2838624

No. 8 & 8-1
Jalan PPM 2
Plaza Pandan
Malim Business Park
75250 Melaka
Tel: 06-2818229
Fax: 06-2818226

**NEGERI SEMBILAN
DARUL KHUSUS**

100, Jalan Gurney
72100 Bahau
Tel: 06-4541413
Fax: 06-4545358

69, 70 & 71, Jalan Dato'
Bandar Tunggal#
70000 Seremban
Tel: 06-7628699
Fax: 06-7638288

112, Jalan Yam Tuan Raden
72000 Kuala Pilah
Tel: 06-4816922
Fax: 06-4813284

1278, Jalan Rasah
70300 Seremban
Tel: 06-7615789
Fax: 06-7615801

9267, Jalan T/S 2/1H
Taman Semarak 2
71800 Nilai
Tel: 06-7991752
Fax: 06-7991755

JOHOR DARUL TAKZIM

12-16, Jalan Wong Ah Fook#
80000 Johor Bahru
Tel: 07-2228311
Fax: 07-2249317

37, Jalan Harimau Tarum
Taman Century
80250 Johor Bahru
Tel: 07-3332519
Fax: 07-3315559

173 & 175, Jalan Sri Pelangi
Taman Pelangi
80400 Johor Bahru
Tel: 07-3353614
Fax: 07-3342598

6 & 8, Jalan Nakhoda 12
Taman Ungku Tun Aminah
81300 Skudai
Tel: 07-5566681
Fax: 07-5566682

17 & 18, Jalan Cempaka
81750 Masai
Tel: 07-2526599
Fax: 07-2526378

2 & 2-01, Jalan Permas 10/7
Bandar Baru Permas Jaya
81750 Johor Bahru
Tel: 07-3867065
Fax: 07-3880762

21, Jalan Ibrahim
81900 Kota Tinggi
Tel: 07-8832020
Fax: 07-8835989

685, Jalan Taib
82000 Pontian
Tel: 07-6876641
Fax: 07-6876561

49, Jalan Jenang
83000 Batu Pahat
Tel: 07-4314435
Fax: 07-4311681

Note:
Cum eBanking Centre



branch network (continued)

as at 15 September 2004

61-1, 61-2 & 61-3, Jalan Arab
84000 Muar
Tel: 06-9515086
Fax: 06-9515215

32 & 33, Jalan Genuang
85000 Segamat
Tel: 07-9312403
Fax: 07-9310212

70, Jalan Segamat
85300 Labis
Tel: 07-9251200
Fax: 07-9251336

120-122, Jalan Mersing
86000 Kluang
Tel: 07-7732233
Fax: 07-7724170

No. LC 531
Jalan Payamas
84900 Tangkak
Tel: 06-9781994
Fax: 06-9784684

109 Main Road
83700 Yong Peng
Tel: 07-4672350
Fax: 07-4674185

No. 6 & 7
Jalan Anggerik 1
Taman Kulai Utama
81000 Kulai
Tel: 07-6632373
Fax: 07-6632336

No. 39 & 41
Jalan Kebudayaan 1
Taman Universiti
81300 Skudai
Tel: 07-5217806
Fax: 07-5217726

8A-C, Jalan Station#
80000 Johor Bahru
Tel: 07-2228462
Fax: 07-2763085

80, Jalan Dedap 13
Taman Johor Jaya
81100 Johor Bahru
Tel: 07-3546320
Fax: 07-3552311

31 & 32, Jalan Kundang
Taman Bukit Pasir
83000 Batu Pahat
Tel: 07-4314515
Fax: 07-4317071

No. 2, Jalan Jati#
Taman Nusa Bestari Jaya
81300 Skudai
Tel: 07-5112596
Fax: 07-5113492

PAHANG DARUL MAKMUR

25, Jalan Tun Ismail
25000 Kuantan
Tel: 09-5157288
Fax: 09-5157130

A125 & A127, Jalan Air Putih
25300 Kuantan
Tel: 09-5683277
Fax: 09-5684359

59 & 60, Jalan Temerloh
Locked Bag 9
28409 Mentakab
Tel: 09-2772953
Fax: 09-2772995

21 Jalan Tun Razak
27600 Raub
Tel: 09-3554422
Fax: 09-3554455

F107 Jalan Kuantan
28000 Temerloh
Tel: 09-2967492
Fax: 09-2967553

36 Main Road
Tanah Rata
39000 Cameron Highlands
Tel: 05-4915158
Fax: 05-4911158

1 Bentong Heights
28700 Bentong
Tel: 09-2221080
Fax: 09-2223592

KELANTAN DARUL NAIM

PT 226 & 227
Jalan Kebun Sultan
15350 Kota Baru
Tel: 09-7476996
Fax: 09-7473799

TERENGGANU DARUL IMAN

116, Jalan Pejabat
20000 Kuala Terengganu
Tel: 09-6244458
Fax: 09-6244261

Lots 3594 & 3595
Jalan Baru Pak Sabah
23000 Dungun
Tel: 09-8482766
Fax: 09-8484480

SABAH

Lot 119, Jalan Gaya
88000 Kota Kinabalu
Tel: 088-250811
Fax: 088-223261

Ground Floor, 5 & 6
Lorong Lintas Plaza 1
Lintas Plaza
88300 Kota Kinabalu
Tel: 088-318806
Fax: 088-316226

Lots 1, 2 & 3, Block 18
Mile 4, North Road
Bandar Indah
90722 Sandakan
Tel: 089-229545
Fax: 089-212731

Note:
Cum eBanking Centre

**branch network** (continued)

as at 15 September 2004

Ground & 1st Floor
Lot 1, Block 35
Fajar Commercial Complex
Jalan Lembaga
91013 Tawau
Tel: 089-770393
Fax: 089-770403

Ground Floor
Wisma Sandaraya
Humphrey Street
90000 Sandakan
Tel: 089-226911
Fax: 089-226910

Block B, Hiong Tiong
Industrial Centre
7, Jalan Tuaran (11.2 km)
88815 Inanam
Tel: 088-436624
Fax: 088-437302

19 Jalan Haji Saman
P O Box 11989
88821 Kota Kinabalu
Tel: 088-235699
Fax: 088-218386

64, Jalan Tun Mustapha
87007 Labuan Federal Territory
Tel: 087-423290
Fax: 087-423289

SARAWAK

Lot 14, Electra House
Power Street
93000 Kuching
Tel: 082-240311
Fax: 082-415466

296 -297, Central Park
Commercial Centre
3rd Mile Rock Road
93200 Kuching
Tel: 082-236300
Fax: 082-230120

Lots 13 & 14, Olive Garden
7th Mile Bazaar
Jalan Pensrissen
93250 Kuching
Tel: 082-250717
Fax: 082-613422

155C, Jalan Satok
93400 Kuching
Tel: 082-233437
Fax: 082-253529

42, Jalan Pending
93450 Kuching
Tel: 082-336666
Fax: 082-336912

8, Carpenter Street
P O Box 1672
93634 Kuching
Tel: 082-424488
Fax: 082-427916

Lots 561 & 562
Jalan Datuk Wee Kheng Chiang
Off Jalan Padungan
93100 Kuching
Tel: 082-235660
Fax: 082-235527

175, Serian Bazaar
94700 Serian
Tel: 082-874877
Fax: 082-874828

5E, Sabu Road
P O Box 106
95007 Sri Aman
Tel: 083-320459
Fax: 083-320460

Lot 124, Saratok Bazaar
P O Box 71
95407 Saratok
Tel: 083-436011
Fax: 083-436012

Sublot 6, Lot 538
Jalan Lee Kai Teng
P O Box 34
95700 Betong
Tel: 083-472278
Fax: 083-472326

18, Chew Geok Lin Street
P O Box 1461
96000 Sibul
Tel: 084-336653
Fax: 084-316833

133, 135 & 137
Jalan Kampung Nyabor
96000 Sibul
Tel: 084-332698
Fax: 084-312081

6, Jalan Merdeka
96100 Sarikei
Tel: 084-651461
Fax: 084-652784

722, Jalan Masjid
P O Box 19
96400 Mukah
Tel: 084-871726
Fax: 084-871737

8-10, Lorong Maju
P O Box 279
96508 Bintangor
Tel: 084-693049
Fax: 084-693689

Lots 3073 & 3074
Jalan Abang Galau
97000 Bintulu
Tel: 086-332393
Fax: 086-332433

Lots 1090 & 1091
Jalan Merpati
98007 Miri
Tel: 085-412132
Fax: 085-419095

Ground Floor, 43A
Jalan Buangsiol
98700 Limbang
Tel: 085-214451
Fax: 085-214452

SINGAPORE

20, Collyer Quay
Unit #01-02 & 02-02
Tung Centre
Singapore 049319
Tel: 02-65352466
Fax: 02-65339340

Note:
Cum eBanking Centre

Auditors' report
Other information
Branch network



branch network (continued)

as at 15 September 2004

HONG KONG

50th Floor, The Center
99 Queen's Road Central
Hong Kong
Tel: 852-22838838
Fax: 852-22853138

in-store

L2-K2, 1st Floor
Mines Shopping Fair
Jalan Dulang, Mines Resort City
43300 Seri Kembangan
Selangor Darul Ehsan
Tel: 03-89433250
Fax: 03-89433257

Carrefour Mid-Valley Megamall
Lot 7, Lower Ground Floor
Megamall Mid-Valley City
58000 Kuala Lumpur
Tel: 03-22834299
Fax: 03-22834375

Carrefour Sri Petaling
Ground Floor, Endah Parade
Bandar Baru Seri Petaling
57000 Kuala Lumpur
Tel: 03-95432090
Fax: 03-95432092

Carrefour Wangsa Maju
Ground Floor, 6, Jalan 8/27A
Section 5, Wangsa Maju
53300 Kuala Lumpur
Tel: 03-41498558
Fax: 03-41498634

Carrefour Subang Jaya
Ground Floor
3 Jalan SS 16/1
47500 Subang Jaya
Selangor Darul Ehsan
Tel: 03-56321715
Fax: 03-56321719

Jaya Jusco Klang
Lot G50, Jaya Jusco Bukit Raja
Jusco Shopping Centre
Persiaran Bukit Raja 2
Bandar Baru Klang
41150 Klang
Selangor Darul Ehsan
Tel: 03-33442562
Fax: 03-33442702

Carrefour Seberang Jaya
Ground Floor, 2929
Jalan Kelisa Emas 1
Off Jalan Tun Hussein Onn
13700 Seberang Jaya
Seberang Prai
Pulau Pinang
Tel: 04-3977640
Fax: 04-3977669

Giant Cash & Carry Sdn Bhd
Lot 33 (Inner Mall)
3, Jalan Masai Lama
Mukim Plentong
81750 Johor Bahru
Johor Darul Takzim
Tel: 07-3529854
Fax: 07-3529857

Carrefour Pandan
Ground Floor, Lot 138
Batu 7 1/2
Jalan Kota Tinggi
81100 Pandan
Johor Bahru
Johor Darul Takzim
Tel: 07-3536603
Fax: 07-3536735

eBanking Centre

Wisma MPL
Jalan Raja Chulan
50200 Kuala Lumpur
Tel: 03-21642525

Note:
Cum eBanking Centre



HONG LEONG BANK BERHAD (97141-X)

A Member of the Hong Leong Group Malaysia
(Incorporated in Malaysia)

FORM OF PROXY

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 on my/our behalf at the Sixty-Third 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, 2 November 2004 at 11.00 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":

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) Encik Zulkiflee Hashim (b) Mr Kwek Leng Hai (c) Mr Kwek Leng Seng (d) Mr Tsui King Chung, David	(a) (b) (c) (d)	(a) (b) (c) (d)
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 approve the ordinary resolution on authority to Directors to issue shares		

Dated this _____ day of _____ 2004

Number of shares held

Signature of member(s)

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 Bank 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.