

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED BALANCE SHEETS**  
**AS AT 31 MARCH 2011**

<b>THE GROUP</b>	<b>As at 31/03/2011 RM '000</b>	<b>As at 30/06/2010 RM '000</b>
<b><u>Assets</u></b>		
Cash and short term funds	18,791,149	17,181,501
Deposits and placements with financial institutions	8,472,451	7,698,751
Securities purchased under resale agreements	-	-
Securities held at fair value through profit or loss	9,291,863	9,308,836
Securities available-for-sale	8,782,762	8,096,680
Securities held-to-maturity	7,754,198	6,866,864
Loans, advances and financing	42,590,967	38,522,242
Clients' and brokers' balances	222,512	155,623
Other receivables	2,170,123	2,648,069
Assets classified as held for sale and discontinued operations	-	346,939
Statutory deposits with Bank Negara Malaysia	682,933	398,666
Tax recoverable	5,627	6,119
Investment in associates	1,953,512	1,172,175
Investment in jointly controlled company	75,095	76,023
Prepaid land lease payments	16,869	17,260
Deferred tax asset	151,294	176,138
Property and equipment	667,245	641,659
Intangible assets	635,228	628,823
<b>Total Assets</b>	<b>102,263,828</b>	<b>93,942,368</b>
<b><u>Liabilities</u></b>		
Deposits from customers	72,568,181	69,480,896
Deposits and placements of banks and other financial institutions	7,057,366	4,477,393
Bills and acceptances payable	464,353	304,140
Clients' and brokers' balances	338,739	262,415
Payables and other liabilities	4,082,956	4,942,138
Liabilities included in assets classified as held for sale and discontinued operations	-	320,102
Provision for claims	39,203	52,727
Provision for taxation	142,007	105,306
Bank loans	331,936	522,751
Subordinated obligations	691,766	650,454
Senior Bonds	902,399	-
Capital market borrowing	-	219,507
Insurance funds	5,708,077	5,175,709
<b>Total Liabilities</b>	<b>92,326,983</b>	<b>86,513,538</b>
<b><u>Equity</u></b>		
Share capital	1,052,768	1,052,768
Capital reserves	1,451,088	1,464,230
Retained profits	4,800,396	2,703,870
Fair value reserves	70,852	17,854
Treasury shares held for ESOS	(74,896)	(78,171)
<b>Total shareholders' equity</b>	<b>7,300,208</b>	<b>5,160,551</b>
Minority interest	2,636,637	2,268,279
<b>Total Equity</b>	<b>9,936,845</b>	<b>7,428,830</b>
<b>Total Liabilities and Equity</b>	<b>102,263,828</b>	<b>93,942,368</b>
<b>Commitment and Contingencies</b>	<b>118,813,634</b>	<b>102,891,118</b>
Net assets per share (net of treasury shares) attributable to ordinary equity holder of the parent (RM)	<b>7.05</b>	<b>4.98</b>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED INCOME STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2011**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2011 RM '000	quarter ended 31/03/2010 RM '000	ended 31/03/2011 RM '000	ended 31/03/2010 RM '000
<b>THE GROUP</b>				
Interest income	745,202	648,976	2,223,113	1,922,064
Interest expense	(359,851)	(307,493)	(1,078,509)	(895,596)
Net interest income	385,351	341,483	1,144,604	1,026,468
Income from Islamic banking business	48,062	42,064	144,274	138,033
Non interest income	205,543	158,818	1,423,437	494,707
Net income	638,956	542,365	2,712,315	1,659,208
Overhead expenses	(278,525)	(279,355)	(846,679)	(787,691)
Operating profit before allowances	360,431	263,010	1,865,636	871,517
Allowance for losses on loans, advances and financing and other losses	(38,058)	(35,356)	(117,681)	(103,647)
Impairment loss	-	376	(3,158)	6,589
	322,373	228,030	1,744,797	774,459
Share of results of associated company	66,715	27,005	162,691	84,724
Share of results of joint venture company	(201)	-	(928)	-
Profit before taxation and zakat	388,887	255,035	1,906,560	859,183
Taxation	(32,372)	(30,210)	(240,939)	(161,028)
Zakat	(22)	(13)	(53)	(406)
Net profit for the year	356,493	224,812	1,665,568	697,749
Attributable to :				
Equity holders of the company	264,589	141,923	1,376,850	445,901
Minority interests	91,904	82,889	288,718	251,848
Net profit for the year	356,493	224,812	1,665,568	697,749
Basic earnings per ordinary share (sen)	25.6	13.7	133.0	43.1
Diluted earnings per ordinary share (sen)	25.6	13.7	133.0	43.1
<b>Other comprehensive income:</b>				
Net fair value changes on available-for- sale securities, net of tax	604	8,465	(2,036)	41,895
Currency translation differences	(38,729)	(12,040)	(60,552)	(18,384)
Total comprehensive income for the period, net of tax	318,368	221,237	1,602,980	721,260
Attributable to :				
Equity holders of the company	243,000	138,350	1,332,252	469,412
Minority interests	75,368	82,887	270,728	251,848
	318,368	221,237	1,602,980	721,260

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED COMPANY BALANCE SHEETS AS AT 31 MARCH 2011**

	As at 31/03/2011 RM '000	As at 30/06/2010 RM '000
<b>THE COMPANY</b>		
<b><u>Assets</u></b>		
Cash and short term funds	43,503	12,041
Securities held at fair value through profit or loss	612,953	23,014
Other receivables	44,308	288,513
Tax recoverable	4,975	4,700
Investment in subsidiaries	2,500,475	2,278,996
Property and equipment	1,768	1,954
Intangible assets	30	124
<b>Total Assets</b>	<b>3,208,012</b>	<b>2,609,342</b>
<b><u>Liabilities</u></b>		
Payables and other liabilities	4,674	5,252
Bank loans	311,936	500,751
Capital market borrowing	-	219,507
<b>Total Liabilities</b>	<b>316,610</b>	<b>725,510</b>
<b><u>Financed by:</u></b>		
Share capital	1,052,768	1,052,768
Capital reserves	385,096	383,047
Retained profits	1,512,598	513,767
Treasury shares held for ESOS	(59,060)	(65,750)
<b>Total Equity</b>	<b>2,891,402</b>	<b>1,883,832</b>
<b>Total Liabilities and Equity</b>	<b>3,208,012</b>	<b>2,609,342</b>
<b>Commitment and Contingencies</b>	<b>243,030</b>	<b>368,030</b>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED COMPANY INCOME STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2011**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/03/2011 RM '000	Last year quarter ended 31/03/2010 RM '000	Current year ended 31/03/2011 RM '000	Last year ended 31/03/2010 RM '000
<b>THE COMPANY</b>				
Interest income	487	1,423	2,301	2,055
Interest expense	(3,660)	(4,707)	(15,094)	(12,644)
Net interest expense	(3,173)	(3,284)	(12,793)	(10,589)
Non interest income	1,028,027	322,310	1,179,310	468,415
Net income	1,024,854	319,026	1,166,517	457,826
Overhead expenses	(5,548)	(4,648)	(26,902)	(12,603)
Profit before taxation and zakat	1,019,306	314,378	1,139,615	445,223
Taxation	(21,146)	(19,420)	(56,848)	(55,104)
Net profit for the year	998,160	294,958	1,082,767	390,119
Basic earnings per ordinary share (sen)	96.1	28.5	104.3	37.7
Diluted earnings per ordinary share (sen)	96.1	28.5	104.3	37.7

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2011**

	Share Capital		Share Premium		Statutory Reserves		Other Capital Reserves & General Reserves		Share Options Reserves		Fair Value Reserves		Regulatory Reserve#		Exchange Fluctuation Reserves		Retained Profits		Treasury Shares		Total Shareholders' Equity		Minority Interests		Total Equity		
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011</b>																											
Opening balance as at 1 July 2010	1,052,768	117,229	1,190,262	133,258	26,655	17,854	-	-	-	-	-	-	-	-	-	-	-	2,703,870	(78,171)	-	5,160,551	2,268,279	10,061	7,428,830			
Changes in accounting policies (Note 29)	-	-	-	-	-	52,304	-	-	-	-	-	-	-	-	-	-	-	40,330	-	-	92,634	10,061	-	102,695			
Restated opening balance as at 1 July 2010	1,052,768	117,229	1,190,262	133,258	26,655	70,158	-	-	-	-	-	-	-	-	-	-	-	2,744,200	(78,171)	-	5,253,185	2,278,340	10,061	7,531,525			
Exchange fluctuation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net fair value changes in available-for-sale securities, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other comprehensive income	-	-	-	-	-	694	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net profit for the financial year	-	-	-	-	-	694	-	-	-	-	-	-	-	-	-	-	-	1,376,850	-	-	1,376,850	288,718	(17,990)	1,665,568			
Total comprehensive income/(expense) for the period	-	-	-	-	-	694	-	-	-	-	-	-	-	-	-	-	-	1,376,850	-	-	1,376,850	288,718	(17,990)	1,665,568			
Allocation of other reserves to minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transfer to statutory reserves	-	-	24,985	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(24,985)	-	-	-	-	-	-	-	-	
Gain on partial disposal of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	788,368	-	-	788,368	-	-	-	-	-		
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
- 1st interim dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Option reserves arising from ESOS	-	-	-	-	7,933	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Exercise of ESOS	-	-	-	-	(1,483)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>AT 31 MARCH 2011</b>	<b>1,052,768</b>	<b>117,229</b>	<b>1,215,247</b>	<b>133,258</b>	<b>33,105</b>	<b>70,852</b>	<b>715</b>	<b>(48,466)</b>	<b>4,800,396</b>	<b>3,501</b>	<b>(74,896)</b>	<b>7,300,208</b>	<b>2,636,637</b>	<b>9,936,845</b>													
<b>FOR THE FINANCIAL YEAR ENDED 31 MARCH 2010</b>																											
Opening balance as at 1 July 2009	1,052,768	117,229	1,141,486	133,258	23,229	(19,429)	-	-	-	-	-	-	-	-	-	-	-	2,179,261	(78,171)	-	4,570,044	2,256,905	-	6,826,949			
Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Restated opening balance as at 1 July 2009	1,052,768	117,229	1,141,486	133,258	23,229	(19,429)	-	-	-	-	-	-	-	-	-	-	-	2,179,261	(78,171)	-	4,561,675	2,256,905	-	6,818,580			
Exchange fluctuation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net fair value changes in available-for-sale securities, net of tax	-	-	-	-	-	41,895	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net income/(expense) recognised directly in equity	-	-	-	-	-	41,895	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net profit for the financial year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	445,901	-	-	445,901	251,848	-	697,749			
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	445,901	-	-	445,901	251,848	-	697,749			
Transfer to statutory reserves	-	-	33,039	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33,039	-	-	-	-	-	-	-	-	
Allocation of other reserves to minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
- 1st interim dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Option reserve arising from ESOS	-	-	-	-	9,264	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Treasury Shares held for ESOS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>AT 31 MARCH 2010</b>	<b>1,052,768</b>	<b>117,229</b>	<b>1,174,525</b>	<b>133,258</b>	<b>32,493</b>	<b>22,466</b>	<b>-</b>	<b>2,029</b>	<b>2,513,668</b>	<b>(78,171)</b>	<b>4,970,265</b>	<b>2,452,285</b>	<b>7,427,550</b>														

# The regulatory reserves are maintained by the Group's banking subsidiary company in Vietnam in line with the requirements of the State Bank of Vietnam.

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2011**

**FOR THE FINANCIAL YEAR ENDED**  
**31 MARCH 2011**

	Share Capital RM '000	Share Premium RM '000	Other Capital Reserves & General Reserves RM '000	Share Options Reserves RM '000	Retained Profits RM '000	Treasury Shares RM '000	Total Equity RM '000
Opening balance as at 1 July 2010	1,052,768	117,229	254,991	10,827	513,767	(65,750)	1,883,832
Net profit for the financial year	-	-	-	-	1,082,767	-	1,082,767
Total recognised income/(expense) for the period	-	-	-	-	1,082,767	-	1,082,767
Dividend paid	-	-	-	-	(87,538)	-	(87,538)
- 1st interim dividend	-	-	-	-	-	-	2,049
Option reserves arising from ESOS	-	-	-	2,049	-	-	4,261
Exercise of ESOS	-	-	-	-	986	3,275	6,031
Transfer of ESOS shares to HLLIA	-	-	-	-	2,616	3,415	6,031
<b>AT 31 MARCH 2011</b>	<b>1,052,768</b>	<b>117,229</b>	<b>254,991</b>	<b>12,876</b>	<b>1,512,598</b>	<b>(59,060)</b>	<b>2,891,402</b>

**FOR THE FINANCIAL YEAR ENDED**  
**31 MARCH 2010**

	Share Capital RM '000	Share Premium RM '000	Other Capital Reserves & General Reserves RM '000	Share Options Reserves RM '000	Retained Profits RM '000	Treasury Shares RM '000	Total Equity RM '000
Opening balance as at 1 July 2009	1,052,768	117,229	18,484	10,208	558,693	(65,750)	1,691,632
Net profit for the financial year	-	-	-	-	390,119	-	390,119
Total recognised income/(expense) for the period	-	-	-	-	390,119	-	390,119
Dividend paid	-	-	-	-	(70,086)	-	(70,086)
- 1st interim dividend	-	-	-	-	-	-	-
- 2nd interim dividend	-	-	-	-	-	-	-
Option reserves arising from ESOS	-	-	-	1,966	-	-	1,966
<b>AT 31 MARCH 2010</b>	<b>1,052,768</b>	<b>117,229</b>	<b>18,484</b>	<b>12,174</b>	<b>878,726</b>	<b>(65,750)</b>	<b>2,013,631</b>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**UNAUDITED CONDENSED CASH FLOW STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2011**

	<b>The Group</b>		<b>The Company</b>	
	<b>31/03/2011</b>	<b>31/03/2010</b>	<b>31/03/2011</b>	<b>31/03/2010</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Profit before taxation and zakat	1,906,560	859,183	1,139,615	445,223
Adjustment for non-cash items and others	(753,848)	540,091	(1,147,828)	(442,432)
Operating profit before working capital changes	1,152,712	1,399,274	(8,213)	2,791
Income tax recovered/(paid)	(192,682)	(71,243)	-	6,190
Interest received	2,301	14,064	2,301	2,055
Net changes in working capital	377,315	(4,216,735)	(364,232)	(233,108)
Net cash flow from operating activities	1,339,646	(2,874,640)	(370,144)	(222,072)
Net cash flow from investing activities	(99,015)	(2,251,188)	897,466	167,641
Net cash flow from financing activities	414,309	(107,755)	(495,860)	115,008
<b>Changes in cash and cash equivalents</b>	<b>1,654,940</b>	<b>(5,233,583)</b>	<b>31,462</b>	<b>60,577</b>
<b>Effect of change in foreign exchange rate</b>	<b>(45,292)</b>	<b>(18,384)</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents as at 1 July</b>	<b>17,181,501</b>	<b>19,500,176</b>	<b>12,041</b>	<b>2,791</b>
<b>Cash and cash equivalents as at 31 March</b>	<b>18,791,149</b>	<b>14,248,209</b>	<b>43,503</b>	<b>63,368</b>

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG” or “the Company”)  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2011**

**1. Basis of preparation**

The condensed financial statements of the Group have been prepared in accordance with Financial Reporting Standard (“FRS”) 134: Interim Financial Reporting (previously known as MASB 26) issued by the Malaysian Accounting Standard Board (“MASB”), Chapter 9, Part K of the Listing Requirements of the Bursa Malaysia Securities Berhad and revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia (“BNM”) and should be read in conjunction with the Group’s audited annual financial statements for the year ended 30 June 2010.

The accounting policies and presentation adopted by the Group for the interim financial statements are consistent with those adopted in the financial statements for the financial year ended 30 June 2010 except for the first time adoption of the following standards, amendments to published standards and interpretations to existing standards:

FRS 3	Business Combinations
FRS 4	Insurance Contract
FRS 7	Financial Instruments: Disclosure
FRS 101	Presentation of Financial Statements
FRS 127	Consolidated and Separate Financial Statements
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 13	Customer Loyalty Programmes
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
Amendment to FRS 117	Leases
Amendment to FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 138	Intangible Assets
Amendments to FRS 2	Share-based Payment
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions

The adoption of the above do not give rise to any material effects to the Group, other than the effects and change in accounting policies arising from adoption of FRS 139 as disclosed in Note 29.



**2. Status of matters giving rise to the auditor's qualified report in the annual financial statement for the financial year ended 30 June 2010 of HLFG**

There was no qualified report issued by the auditors in the annual financial statements for the financial year ended 30 June 2010.

**3. Seasonality or cyclicity of operations**

The business operations of the Group have not been materially affected by any seasonal and cyclical factors.

**4. Exceptional items / unusual events affecting financial statements**

There were no exceptional items or unusual events affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial period.

**5. Variation from financial estimates reported in preceding financial year**

There were no material changes in estimates of amounts reported in the preceding financial year that have a material effect in the current financial period.

**6. Issuance and repayment of debt and equity securities**

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares in HLFG for the financial period ended 31 March 2011 other than as mentioned below.

Purchase of shares pursuant to ESOS

A trust has been set up for the ESOS of HLFG and is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's shares from the open market for the purposes of this trust. In accordance to FRS 132: Financial Statements: Presentation and Disclosure, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares held for ESOS" in the Shareholders' Equity on the Balance Sheet.

The Company had previously granted 10,200,000 conditional incentive share options to eligible executives of the Company pursuant to the ESOS of HLFG subject to the achievement of certain performance criteria over an option performance period.

During the financial period ended 31 March 2011, a total of 751,000 units was transferred to an insurance subsidiary company and a total of 720,000 ordinary shares of RM1 each were exercised pursuant to the Company's ESOS at the granted exercise price of RM5.92.

The remaining number of shares held by the appointed trustee for the Company as at 31 March 2011 was 12,990,448 units at an average price of RM4.55 per share and the total consideration paid, including transaction costs was RM59,061,758.

As at 31 March 2011, the insurance subsidiary company held a total of 3,519,992 units of the Company's shares at an average price of RM5.25 per share with total consideration paid, including transaction costs of RM18,482,402 which have been classified as treasury shares held for ESOS at the Group level.

## **7. Dividends paid**

An interim dividend of 10 sen per share (6.3 sen less income tax of 25% and 3.7 sen combination of tax exempt & single tier) was paid on 16 December 2010.

## **8. Segmental reporting**

Segmental information is presented in respect of the Group's business segments. The primary format by business segments is based on the Group's management and internal reporting structure.

No analysis by geographical segments is presented as the Group's operations are substantially carried out in Malaysia.

Inter-segment pricing is determined based on arms length basis. These transactions are eliminated on consolidation. Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. Unallocated item mainly comprise tax recoverable, tax payable and other corporate assets and other corporate liabilities. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used during more than one period.

### **Business segments**

The Group comprises the following main business segments:

Commercial banking	Commercial banking business
Investment banking	Investment banking and fund and unit trust management
Insurance	Life and general insurance business
Other operations	Investment holding and provision of management services

GROUP 31 MARCH 2011	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue for the year ended</b>						
External sales	1,715,519	96,918	880,224	19,654	-	2,712,315
Intersegment sales	6,146	2,651	4,096	5,098	(17,991)	-
	<u>1,721,665</u>	<u>99,569</u>	<u>884,320</u>	<u>24,752</u>	<u>(17,991)</u>	<u>2,712,315</u>
<b>Results for the year ended</b>						
Segment results	893,659	42,598	836,139	(27,599)		1,744,797
Share of results of associated company						162,691
Share of results of joint venture company						(928)
Profit before taxation and zakat						<u>1,906,560</u>
Taxation and zakat						<u>(240,992)</u>
Profit after taxation						<u>1,665,568</u>
Minority interest						<u>(288,718)</u>
Net profit for the year						<u><u>1,376,850</u></u>
<b>Other information</b>						
Segment assets	90,786,891	2,202,360	8,145,193	989,874	(50,773)	102,073,545
Other corporate assets						190,283
<b>Total consolidated assets</b>						<u><u>102,263,828</u></u>
Segment liabilities	83,848,378	1,946,354	6,582,716	325,502	(687,903)	92,015,047
Other corporate liabilities						311,936
<b>Total consolidated liabilities</b>						<u><u>92,326,983</u></u>
Capital expenditure	84,823	3,381	6,464	376	-	95,044
Depreciation of property and equipments	39,379	1,776	2,796	562	-	44,513
Amortisation of intangible assets	12,864	637	-	94	-	13,595
Amortisation of prepaid lease payment	421	-	-	-	-	421
Loan loss and other allowances	105,030	1,041	1,896	-	-	107,967
Impairment losses	(6,939)	-	(508)	-	-	(7,447)

GROUP 31 MARCH 2010	Commercial	Investment	Eliminations	Consolidated		
	Banking RM'000	Banking RM'000		Others RM'000	RM'000	
<b>Revenue for the year ended</b>						
External sales	1,530,029	61,768	88,401	(20,990)	-	1,659,208
Intersegment sales	9,098	-	2,465	6,411	(17,974)	-
	<u>1,539,127</u>	<u>61,768</u>	<u>90,866</u>	<u>(14,579)</u>	<u>(17,974)</u>	<u>1,659,208</u>
<b>Results for the year ended</b>						
Segment results	755,403	16,530	28,179	(25,653)	-	774,459
Share of results of associated company						84,724
Profit before taxation and zakat						<u>859,183</u>
Taxation and zakat						<u>(161,434)</u>
Profit after taxation						<u>697,749</u>
Minority interest						<u>(251,848)</u>
Net profit for the year						<u>445,901</u>
<b>Other information</b>						
Segment assets	83,000,939	873,846	164,297	366,245	(31,812)	84,373,515
Other corporate assets						<u>7,267,037</u>
<b>Total consolidated assets</b>						<u>91,640,552</u>
Segment liabilities	76,945,333	659,197	6,599,345	49,161	(670,356)	83,582,680
Other corporate liabilities						<u>635,322</u>
<b>Total consolidated liabilities</b>						<u>84,218,002</u>
Capital expenditure	178,862	2,014	54,215	58	-	235,149
Depreciation of property and equipments	36,243	1,351	5,294	571	-	43,459
Amortisation of intangible assets	9,719	476	-	92	-	10,287
Amortisation of prepaid lease payment	63	-	-	-	-	63
Loan loss and other allowances	103,647	-	-	-	-	103,647

9. Securities held at fair value through profit or loss

	Group	
	As at 31/03/2011 RM '000	As at 30/06/2010 RM '000
	<b><u>At Fair Value</u></b>	
Malaysian Government Treasury Bills	9,720	251,599
Malaysian Government Securities	1,593,204	1,107,934
Negotiable instruments of deposit	455,877	784,708
Bankers' acceptances and Islamic accepted bills	2,500,123	2,771,744
Bank Negara Malaysia bills	3,078,028	2,606,431
Malaysian Government Investment Certificates	546,816	1,116,703
Cagamas bonds/notes	-	254,998
Private debts securities	162,422	190,544
	8,461,016	9,084,661
Quoted securities :		
Shares/Loan stocks/Unit Trust	654,556	45,013
Foreign currency bonds	176,291	118,292
Unquoted securities :		
Private debt securities	-	60,870
Total securities held at fair value through profit and loss	9,291,863	9,308,836
	<b>Company</b>	
	As at 31/03/2011 RM '000	As at 30/06/2010 RM '000
<b><u>At Fair Value</u></b>		
Unit Trust	612,953	23,014

10. Securities available-for-sale

	Group	
	As at 31/03/2011 RM '000	As at 30/06/2010 RM '000
	<b><u>At Fair Value</u></b>	
Government Treasury Bills	336,098	533,551
Malaysian Government Securities	1,033,236	1,571,027
Malaysian Government Investment Certificates	1,939,357	2,123,648
Cagamas bonds	134,964	129,476
Other Government securities	54,914	51,910
	3,498,569	4,409,612
Quoted securities :		
Shares/Loan stocks/Unit Trust	1,264,773	632,254
Foreign Currency Bonds	909,178	513,672
Unquoted securities :		
Foreign Currency Bonds	-	12,347
Investment Linked funds	300	-
Private debt securities/shares/reits	3,109,942	2,528,795
Total securities available-for-sale	8,782,762	8,096,680

## 11. Securities held-to-maturity

	Group	
	As at	As at
	31/03/2011	30/06/2010
	RM '000	RM '000
<b><u>At Amortised Cost</u></b>		
Malaysian Government Securities	3,762,667	4,144,712
Malaysian Government Investment Certificates	1,186,544	1,312,548
Negotiable instruments of deposit	2,277,276	690,588
Cagamas bonds	169,903	279,872
	7,396,390	6,427,720
Quoted securities :		
Foreign Currency Bonds	2,897	3,374
Unquoted securities :		
Private debt securities/shares/loan stocks	354,911	435,770
Total securities held-to-maturity	<u>7,754,198</u>	<u>6,866,864</u>

## 12. Loans, advances and financing

	Group	
	As at	As at
	31/03/2011	30/06/2010
	RM '000	RM '000
Overdrafts	2,021,359	2,036,810
Term loans :		
- Housing loans/financing	26,375,876	22,534,948
- Syndicated term loan/financing	3,061,031	2,270,838
- Hire purchase receivables	5,986,734	5,650,823
- Lease receivables	5,044	11,866
- Other term loans/financing	2,778,722	2,263,522
Credit/charge card receivables	2,445,026	2,210,438
Bills receivables	344,801	268,725
Trust receipts	143,096	98,419
Claims on customers under acceptance credits	3,597,146	3,619,054
Block discounting	8,347	8,244
Revolving credits	2,088,474	1,393,605
Policy and premium loans	668,239	655,246
Staff loans	89,493	99,531
Other loans/financing	107,238	87,416
	<u>49,720,626</u>	<u>43,209,485</u>
Unearned interest and income	<u>(6,106,830)</u>	<u>(3,876,159)</u>
	43,613,796	39,333,326
Unamortised fair value changes arising from terminated fair value hedges	30,801	46,725
Allowance for bad and doubtful debts and financing :		
- general	-	(579,618)
- specific	-	(278,191)
- collective assessment	(841,592)	-
- individual assessment	(212,038)	-
Net loans, advances and financing	<u>42,590,967</u>	<u>38,522,242</u>

12. Loans, advances and financing (continued)

(a) By type of customer

	Group	
	As at 31/03/2011 RM '000	As at 30/06/2010 RM '000
Domestic non-bank financial institutions	150,885	178,501
Domestic business enterprises		
- Small and medium enterprises	3,769,808	3,349,519
- Others	9,038,768	8,347,349
Government and statutory bodies	90	278
Individuals	28,527,987	26,220,188
Other domestic entities	19,902	14,395
Foreign entities	2,106,356	1,223,096
Gross loans, advances and financing	43,613,796	39,333,326

(b) By interest/profit rate sensitivity

	Group	
	As at 31/03/2011 RM '000	As at 30/06/2010 RM '000
Fixed rate		
- Housing loans/financing	691,689	530,012
- Hire purchase receivables	5,174,895	4,924,898
- Other fixed rate loan/financing	4,615,526	3,981,846
Variable rate		
- Base lending rate plus	28,076,360	25,141,613
- Cost plus	4,899,035	4,682,310
- Other variables rates	156,291	72,647
Gross loans, advances and financing	43,613,796	39,333,326

(c) By economic purpose

	Group	
	As at 31/03/2011 RM '000	As at 30/06/2010 RM '000
Purchase of securities	629,338	476,082
Purchase of transport vehicles	5,321,671	4,834,160
Purchase of landed properties		
- residential	17,760,168	14,930,332
- non-residential	5,233,548	4,436,355
Personal use	1,772,274	2,994,401
Credit card	2,445,026	2,210,438
Purchase of consumer durables	76	62
Construction	258,925	298,512
Working capital	9,410,078	8,449,753
Others	782,692	703,231
Gross loans, advances and financing	43,613,796	39,333,326

12. Loans, advances and financing (continued)

(d) Non-performing loans by purpose

	Group	
	As at 31/03/2011 RM '000	As at 30/06/2010 RM '000
Purchase of securities	13,534	12,952
Purchase of transport vehicles	52,303	40,252
Purchase of landed properties		
- residential	242,198	201,359
- non-residential	61,646	55,633
Personal use	67,636	53,792
Credit card	24,340	27,859
Construction	15,899	15,907
Working capital	341,091	321,667
Others	2	2
Gross loans, advances and financing	818,649	729,423

(e) Movements in non-performing loans, advances and financing ("NPL") are as follows:

	Group	
	As at 31/03/2011 RM '000	As at 30/06/2010 RM '000
At beginning		
- as previously stated	729,423	802,444
- effect of adopting FRS 139	203,467	-
As restated	932,890	802,444
Non-performing during the period/year	509,151	2,910,248
Reclassified as performing	(267,221)	(2,482,001)
Amount written back in respect of recoveries	(235,943)	(287,549)
Amount written off	(119,280)	(211,708)
Amount transferred in respect of acquisition	(1,086)	-
Exchange differences	138	(2,011)
Closing balance	818,649	729,423
Specific allowance	-	(278,191)
Net non-performing loans, advances and financing	818,649	451,232
Net NPL as a % of gross loans, advances and financing less specific allowance	1.9%	1.2%



12. Loans, advances and financing (continued)

(f) Movements in allowance for bad and doubtful debts (and financing) accounts are as follows:

	Group	
	As at 31/03/2011 RM '000	As at 30/06/2010 RM '000
<u>Collective Assessment Allowance</u>		
At beginning		
- as previously stated	-	-
- effect of adopting FRS 139	769,545	-
As restated	769,545	-
Net allowance made during the period/year	239,486	-
Amount written back in respect of recoveries	(64,895)	-
Amount written off	(94,496)	-
Unwinding income	(8,626)	-
Exchange differences	578	-
Closing balance	841,592	-
As % of gross loans, advances and financing less loans exempted from individual assessment allowance	2.0%	-
<u>Individual Assessment Allowance</u>		
At beginning		
- as previously stated	-	-
- effect of adopting FRS 139	228,018	-
As restated	228,018	-
Net allowance made during the period/year	30,088	-
Amount transferred in respect of acquisition	(1,086)	-
Amount written back in respect of recoveries	(16,726)	-
Amount written off	(17,177)	-
Unwinding income	(11,807)	-
Exchange differences	728	-
Closing balance	212,038	-
<u>General Allowance</u>		
At beginning		
- as previously stated	579,621	546,080
- effect of adopting FRS 139	(579,621)	-
As restated	-	546,080
Net allowance made during the period/year	-	34,135
Exchange differences	-	(594)
Closing balance	-	579,621
As % of gross loans, advances and financing less specific allowance	-	1.5%
<u>Specific Allowance</u>		
At beginning		
- as previously stated	278,191	330,119
- effect of adopting FRS 139	(278,191)	-
As restated	-	330,119
Allowance made during the period/year	-	289,510
Amount written back in respect of recoveries	-	(128,463)
Amount written off	-	(211,708)
Exchange differences	-	(1,267)
Closing balance	-	278,191

### 13. Other receivables

	Group	
	As at	As at
	31/03/2011	30/06/2010
	RM '000	RM '000
Interest/Income receivable	209,881	215,058
Investment properties	1,680	1,600
Other debtors, deposits and prepayments	1,958,087	2,430,134
Foreclosed properties	475	1,277
	<u>2,170,123</u>	<u>2,648,069</u>

	Company	
	As at	As at
	31/03/2011	30/06/2010
	RM '000	RM '000
Amount due from subsidiary companies	43,658	282,038
Amount due from related companies	267	10
Other debtors, deposits and prepayments	383	6,465
	<u>44,308</u>	<u>288,513</u>

### 14. Deposits from customers

	Group	
	As at	As at
	31/03/2011	30/06/2010
	RM '000	RM '000
Fixed deposits	42,425,310	38,528,523
Negotiable instruments of deposit	5,443,614	2,580,634
Demand deposits	8,578,534	7,964,808
Savings deposits	8,855,187	8,392,327
Short term corporate placement	6,906,822	11,759,585
Other	358,714	255,019
	<u>72,568,181</u>	<u>69,480,896</u>

#### The maturity structure of fixed deposits and negotiable instruments :

	Group	
	As at	As at
	31/03/2011	30/06/2010
	RM '000	RM '000
One year or less (short term)	44,407,093	40,011,949
More than one year (medium/long term)	3,461,831	1,097,208
	<u>47,868,924</u>	<u>41,109,157</u>

#### The deposits from customer are sourced from the following types of customers:

	Group	
	As at	As at
	31/03/2011	30/06/2010
	RM '000	RM '000
Government and statutory bodies	1,871,856	856,715
Business enterprises	33,161,552	34,229,890
Individuals	36,404,673	33,353,132
Others	1,130,100	1,041,159
	<u>72,568,181</u>	<u>69,480,896</u>

## 15. Deposits and placements of banks and other financial institutions

	Group	
	As at 31/03/2011 RM '000	As at 30/06/2010 RM '000
Licensed banks	5,956,833	3,644,826
Other financial institutions	1,100,533	832,567
	<u>7,057,366</u>	<u>4,477,393</u>
<b>The maturity structure :</b>		
One year or less (short term)	7,057,366	4,477,393
More than one year (medium/long term)	-	-
	<u>7,057,366</u>	<u>4,477,393</u>

## 16. Payables and other liabilities

	Group	
	As at 31/03/2011 RM '000	As at 30/06/2010 RM '000
Trade payables	584,284	521,257
Amount due to related companies	5,349	3,940
Other payables and accrued liabilities	2,171,181	3,051,056
Loan advance payment	1,092,249	982,043
Interest payable	224,955	378,423
Post employment benefits obligations - defined contribution plan	4,938	5,419
	<u>4,082,956</u>	<u>4,942,138</u>

	Company	
	As at 31/03/2011 RM '000	As at 30/06/2010 RM '000
Amount due to subsidiary companies	4	22
Other payables and accrued liabilities	4,199	4,645
Interest payable	454	570
Post employment benefits obligations - defined contribution plan	17	15
	<u>4,674</u>	<u>5,252</u>

## 17. Interest income

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2011	quarter ended 31/03/2010	ended 31/03/2011	ended 31/03/2010
	RM '000	RM '000	RM '000	RM '000
Loan, advances and financing				
- Interest income other than recoveries from NPLs	457,211	374,951	1,352,038	1,142,857
- recoveries from NPLs	-	30,034	-	81,488
Money at call and deposit placements with financial institutions	146,149	101,701	374,926	255,114
Securities purchased under resale agreement	408	160	1,747	166
Securities held at fair value through profit and loss	17,456	14,124	68,632	45,694
Securities available-for-sale	24,461	35,605	81,863	119,403
Securities held-to-maturity	112,671	58,156	340,714	168,680
Others	(12,843)	1,861	3,160	2,586
	<u>745,513</u>	<u>616,592</u>	<u>2,223,080</u>	<u>1,815,988</u>
Amortisation of premium less accretion of discount	(311)	36,528	33	115,212
Interest suspended	-	(4,144)	-	(9,136)
	<u>745,202</u>	<u>648,976</u>	<u>2,223,113</u>	<u>1,922,064</u>
	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2011	quarter ended 31/03/2010	to date 31/03/2011	to date 31/03/2010
	RM '000	RM '000	RM '000	RM '000
Money at call and deposit placements with financial institutions	81	32	491	135
Others	406	1,391	1,810	1,920
	<u>487</u>	<u>1,423</u>	<u>2,301</u>	<u>2,055</u>

## 18. Interest expense

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2011	quarter ended 31/03/2010	ended 31/03/2011	ended 31/03/2010
	RM '000	RM '000	RM '000	RM '000
Deposits and placements of banks and other financial institutions	17,625	9,304	53,117	22,722
Deposits from customers	281,429	224,466	789,324	670,347
Borrowings	3,376	4,486	13,503	13,190
Subordinated bonds	8,741	8,731	26,406	26,700
Short term corporate placements	46,805	59,775	192,655	160,053
Others	1,875	731	3,504	2,584
	<u>359,851</u>	<u>307,493</u>	<u>1,078,509</u>	<u>895,596</u>
	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2011	quarter ended 31/03/2010	to date 31/03/2011	to date 31/03/2010
	RM '000	RM '000	RM '000	RM '000
Borrowings	3,658	4,204	14,479	11,140
Others	2	503	615	1,504
	<u>3,660</u>	<u>4,707</u>	<u>15,094</u>	<u>12,644</u>

## 19. Non Interest Income

	Group		Group	
	Current quarter ended 31/03/2011 RM '000	Last year quarter ended 31/03/2010 RM '000	Current year ended 31/03/2011 RM '000	Last year ended 31/03/2010 RM '000
Net income from Insurance Business	11,006	14,505	222,190	66,019
Net brokerage and commissions from Stockbroking Business	23,256	13,585	60,173	38,994
Net unit trust and asset management income	8,186	4,466	19,130	13,380
Fee income:				
Management fees	-	-	11,009	-
Commissions	16,033	17,608	50,460	53,308
Service charges and fees	4,760	3,806	13,970	12,861
Guarantee fees	1,308	1,956	4,387	4,854
Other fee income	42,878	50,568	178,841	147,610
	64,979	73,938	258,667	218,633
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss and derivatives	54,765	(5,633)	62,129	39,406
Net gain from sale of securities available-for-sale	(6,730)	3,603	11,172	7,179
Net gain/(loss) from redemption of securities held-to-maturity	693	290	936	1,311
	48,728	(1,740)	74,237	47,896
Gross dividend income from:				
Securities held at fair value through profit and loss	(45,265)	168	10,119	413
Securities available-for-sale	13,052	1,570	20,512	5,227
Securities held-to-maturity	152	2,718	243	6,114
	(32,061)	4,456	30,874	11,754
Net unrealised gains/(losses) on revaluation of securities held at fair value through profit or loss and derivatives	26,717	17,096	33,134	(12,982)
Net realised gains/(losses) on fair value changes arising from fair value hedge	(11,890)	(2,447)	(31,843)	(12,587)
Net unrealised gains/(losses) on fair value changes arising from fair value hedges	22,730	4,460	36,491	21,503
Other income:				
Foreign exchange gain/(loss)	36,995	26,109	75,387	84,450
Rental income	414	303	1,181	668
Gain/(loss) on disposal of property and equipment	167	130	(392)	938
Gain/(loss) on liquidation	-	(1,474)	132	(2,676)
Profit from Takaful investments	-	-	-	1,758
Others	6,316	5,431	644,076	16,959
	43,892	30,499	720,384	102,097
<b>Total non interest income</b>	<b>205,543</b>	<b>158,818</b>	<b>1,423,437</b>	<b>494,707</b>

**19. Non Interest Income (continued)**

	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	ended	ended
	31/03/2011	31/03/2010	31/03/2011	31/03/2010
	RM '000	RM '000	RM '000	RM '000
Fee income:				
Management fees	1,847	1,759	5,541	5,277
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss and derivatives	5,602	(25)	5,507	8
Gross dividend income from:				
Securities held at fair value through profit and loss	2,391	169	3,454	330
Subsidiary companies	85,684	85,642	228,491	228,378
Unrealised gain/(loss) on revaluation of securities held at fair value through profit and loss and derivatives	(2,199)	(137)	(4,723)	(1,115)
Other income:				
Gain on disposal of subsidiary company	-	234,880	-	234,880
Others	934,702	22	941,040	657
<b>Total non interest income</b>	<b>1,028,027</b>	<b>322,310</b>	<b>1,179,310</b>	<b>468,415</b>

**20. Overhead expenses**

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	ended	ended
	31/03/2011	31/03/2010	31/03/2011	31/03/2010
	RM '000	RM '000	RM '000	RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	145,733	132,273	411,081	372,769
- Others	12,719	14,621	40,148	40,934
<u>Establishment costs</u>				
- Depreciation of property and equipments	15,876	15,758	44,513	43,459
- Amortisation of intangible assets	4,194	4,221	13,595	10,287
- Amortisation of prepaid lease payment	140	21	421	63
- Rental	13,256	13,051	40,088	39,569
- Information technology expenses	16,999	15,659	46,975	42,108
- Others	13,199	14,276	40,921	38,455
<u>Marketing expenses</u>				
- Advertisement and publicity	8,182	16,912	19,799	50,469
- Handling fees	-	641	-	918
- Others	15,687	15,607	49,981	41,834
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,245	1,986	5,760	6,116
- Stationery & printing	3,102	1,686	8,733	7,626
- Others	27,193	32,643	124,664	93,084
	<b>278,525</b>	<b>279,355</b>	<b>846,679</b>	<b>787,691</b>

## 20. Overhead expenses (continued)

	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2011 RM '000	quarter ended 31/03/2010 RM '000	ended 31/03/2011 RM '000	ended 31/03/2010 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	3,615	2,833	8,166	7,293
- Others	885	748	2,450	2,175
<u>Establishment costs</u>				
- Depreciation of property and equipments	198	191	562	571
- Amortisation of intangible assets	31	31	94	92
- Rental	175	174	514	520
- Others	33	63	147	243
<u>Administration and general expenses</u>				
- Teletransmission expenses	7	11	24	28
- Stationery & printing	7	10	40	47
- Others	597	587	14,906	1,634
	<u>5,548</u>	<u>4,648</u>	<u>26,902</u>	<u>12,603</u>

## 21. Allowance for losses on loans, advances and financing and other losses

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2011 RM '000	quarter ended 31/03/2010 RM '000	ended 31/03/2011 RM '000	ended 31/03/2010 RM '000
Allowance for losses on loans, advances and financing:				
(a) Specific allowance				
- made during the financial year	-	72,803	-	229,657
- written back	-	(26,056)	-	(77,069)
(b) General allowance				
- made during the financial year	-	11,635	-	15,956
(c) Collective assessment allowance				
- made during the financial year	59,105	-	173,058	-
(d) Individual assessment allowance				
- made during the financial year	(1,478)	-	6,819	-
Allowance for losses on clients' and brokers' balances				
(a) Specific allowance				
- made during the financial year	-	-	(6)	-
- written back	-	252	-	252
(b) General allowance				
- made during the financial year	40	(30)	(133)	(30)
(c) Individual assessment allowance				
- written back	(2)	-	(219)	-
Bad debts and financing written off	2,452	2,021	6,836	5,599
Bad debts and financing recovered	(22,059)	(25,269)	(68,674)	(70,718)
	<u>38,058</u>	<u>35,356</u>	<u>117,681</u>	<u>103,647</u>

## 22. Capital adequacy

BNM guidelines require the Banking subsidiaries to maintain a certain minimum level of capital funds against the "risk-weighted" value of the assets and certain commitments and contingencies. The capital funds of the Banking subsidiaries as at 30 June 2010 and 30 June 2009 met the minimum requirement.

	Hong Leong Bank Berhad		Hong Leong Islamic Bank Berhad #		Hong Leong Investment Bank Berhad	
	As at 31/03/2011 RM '000	As at 30/06/2010 RM '000	As at 31/03/2011 RM '000	As at 30/06/2010 RM '000	As at 31/03/2011 RM '000	As at 30/06/2010 RM '000
<b>Components of Tier - 1 and Tier - 2 Capital</b>						
<b>Tier - 1 capital</b>						
Paid up share capital	1,580,107	1,580,107	500,000	500,000	265,535	265,535
Share premium	539,664	539,664	-	-	-	-
Retained profit	2,774,814	2,573,041	115,776	156,726	10,644	10,644
Other Reserves	1,797,748	1,792,970	186,288	161,303	11,044	11,044
Less : Treasury Shares	(677,766)	(687,908)	-	-	-	-
Less : Goodwill	-	-	-	-	(30,236)	(30,236)
Less : Deferred Tax	(102,976)	(122,544)	(17,593)	(17,593)	(52,597)	(52,597)
Add : Minority interest	-	-	-	-	-	-
<b>Total tier 1 capital</b>	<b>5,911,591</b>	<b>5,675,330</b>	<b>784,471</b>	<b>800,436</b>	<b>204,390</b>	<b>204,390</b>
<b>Tier - 2 capital</b>						
General provision	-	511,615	-	66,175	-	1,805
Collective assessment allowance	558,387	-	79,475	-	1,524	-
Subordinated obligations	700,000	647,500	-	-	-	-
Redeemable preference shares	-	-	-	-	1,631	1,631
Share premium on redeemable preference shares	-	-	-	-	-	-
<b>Total tier 2 capital</b>	<b>1,258,387</b>	<b>1,159,115</b>	<b>79,475</b>	<b>66,175</b>	<b>3,155</b>	<b>3,436</b>
<b>Total eligible tier-2 capital</b>	<b>1,258,387</b>	<b>1,159,115</b>	<b>79,475</b>	<b>66,175</b>	<b>3,155</b>	<b>3,436</b>
<b>Total capital</b>	<b>7,169,978</b>	<b>6,834,445</b>	<b>863,946</b>	<b>866,611</b>	<b>207,545</b>	<b>207,826</b>
Less : Investment in associated company	(946,505)	(946,505)	-	-	-	-
Less : Investment in subsidiary companies	(1,023,117)	(714,092)	-	-	(588)	(588)
Less : Investment in jointly controlled company	(76,711)	(76,711)	-	-	-	-
<b>Total capital base</b>	<b>5,123,645</b>	<b>5,097,137</b>	<b>863,946</b>	<b>866,611</b>	<b>206,957</b>	<b>207,238</b>
<b>Before deducting proposed dividends</b>						
Core Capital Ratio	11.89% *	13.34%	15.77%	19.74%	40.70%	33.06%
Risk-weighted Capital Ratio	11.89%	13.34%	17.37%	21.37%	41.21%	33.52%
<b>After deducting proposed dividends</b>						
Core Capital Ratio	11.89% *	12.90%	15.77%	19.15%	40.70%	33.06%
Risk-weighted Capital Ratio	11.89%	12.90%	17.37%	20.78%	41.21%	33.52%



## 22. Capital adequacy (continued)

- \* As stipulated under Bank Negara Malaysia ("BNM") Guidelines, the Bank's Core Capital Ratio is equal to the Risk-weighted Capital Ratio as the deduction from Total Capital is more than Eligible Tier 2 Capital.
- # The capital adequacy ratios of Hong Leong Islamic Bank Berhad is computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB), which are based on the Basel II capital accord. Hong Leong Islamic Bank Berhad has adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy approach requirement is 8% for the risk-weighted capital ratio.

## 23. Events after Balance Sheet date

There are no material events subsequent to the end of the financial period ended 31 March 2011 except for the following :

(a) On 1 March 2011, HLFG announced the:

- (i) Proposed acquisition by HLA Holdings Sdn Bhd ("HLAH") of 35% equity interest in Hong Leong MSIG Takaful Berhad ("HLMT") (formerly known as Hong Leong Tokio Marine Takaful Berhad) from Tokio Marine & Nichido Fire Insurance Co., Ltd ("TMNFI") for a cash consideration of RM33,642,700; and
- (ii) Proposed disposal by HLAH of 35% equity interest in HLMT to Mitsui Sumitomo Insurance Company, Limited ("MSIJ") for a cash consideration of RM33,642,700

(collectively referred to as the "Proposals")

The Proposals were completed on 1 April 2011.

(b) On 26 April 2011, HLFG announced that the liquidator of Allstate Health Benefits Sdn Bhd ("Allstate"), a wholly owned subsidiary of Hong Leong Assurance Berhad which is in turn a subsidiary of HLFG through HLA Holdings Sdn Bhd, had convened a Final Meeting on 25 April 2011 to conclude the member's voluntary liquidation of Allstate and a Return by the Liquidator Relating to the Final Meeting was lodged on 25 April 2011 with the Companies Commission of Malaysia and the Official Receiver. On the expiration of 3 months after the said lodgement date, Allstate will be dissolved.

(c) On 29 April 2011, CIMB Investment Bank Berhad ("CIMB") on behalf of Hong Leong Bank ("HLB") a subsidiary of HLFG, announced that EON Capital Berhad ("EON Cap") had on 28 April 2011 accepted the offer made by HLB for the acquisition of the entire assets and liabilities of EON Cap ("Proposed Acquisition") in accordance with the terms and conditions set out in HLB's letter of Offer dated 1 April 2010 (including all subsequent amendments/supplements thereto) subject to and conditional upon the following:

- (i) HLB confirming that it has no objection to EON Bank Berhad ("EON Bank") declaring and paying net dividend amounting to RM311,943,930 ("Proposed Interim Dividend") upon receipt by EON Bank of the approval from BNM.
- (ii) HLB shall acquire the assets and liabilities of EON Cap at the offer price of RM5,060,423,743.60 with no deduction for the payment of the Proposed Interim Dividend.

HLB had informed EON Cap that it is agreeable to the above conditions.

HLB and EON Cap also agreed that:

- (i) EON Cap/EON Bank shall submit the application to BNM for the Proposed Interim Dividend ("BNM Application");
  - (ii) either party may submit the application to the Securities Commission ("SC") for the change in control of MIMB Investment Bank Berhad ("SC Application");
  - (iii) the total liabilities at EON Cap company level less available cash at EON Cap company level liabilities shall not exceed RM14.1 million as at the completion date; and
  - (iv) both parties shall complete the transaction once BNM's and SC's approvals for the BNM Application and SC Application, respectively are obtained.
- (d) On 4 May 2011, CIMB on behalf of HLB, announced that SC had, through its letter dated 4 May 2011, given its approval for the proposed change in shareholding of MIMB Investment Bank Berhad.

### 23. Events after Balance Sheet date (Continued)

- (e) On 6 May 2011, CIMB on behalf of HLB, announced the following:-
- (i) BNM has given its approval for EON Bank to declare and pay a net interim dividend amounting to RM312 million to EON Cap; and
  - (ii) The Proposed Acquisition has been completed on 6 May 2011, in accordance with the terms of the offer made by HLB via its offer letter dated 1 April 2010 and all subsequent amendments, supplements thereto.
- (f) On 5 May 2011, HLB announced that it has successfully completed its issuances of Tier 2 Subordinated Debt (“Sub Debt”) of RM1.0 billion and Non-Innovative Tier 1 Stapled Securities (“NIT-1 Stapled Securities”) of RM1.4 billion respectively.

The Sub Debt is rated AA2 while the NIT-1 Stapled Securities is rated AA3 by RAM Rating Services Berhad.

The Sub Debt, with a maturity of 10 years and callable at the end of year 5 and on each subsequent coupon payment date, pays a semi annual coupon of 4.35% p.a., while the NIT-1 Stapled Securities, which is perpetual in nature and callable at the end of year 5 and on each coupon payment date, pays a semi annual coupon of 5.05% p.a. The call options on both the Sub Debt and the NIT-1 Stapled Securities shall be subject to the approval of BNM.

- (g) On 10 May 2011, HLB announced that HLFG is providing a Tier 2 Capital Cumulative Subordinated Loan Facility for the amount of up to RM2.3 billion (the “Facility”) to HLB and HLB had on 6 May 2011 drawn down on the full facility amount of RM2.3 billion.

The Facility is a bridging loan to assist HLB with its Risk Weighted Capital Adequacy Ratio pending the completion of a proposed rights issue exercise to be undertaken by HLB (“Proposed HLB Rights Issue”).

The tenure of the Facility shall be 99 years from the date of the drawdown. HLB may, at any time, at its option and subject to the written approval of BNM, prepay the Facility in part or in whole provided that it has paid in full all accrued interest due on such prepayment date. However, upon completion of, inter alia, the Proposed HLB Rights Issue, HLB shall prepay the Facility in whole together with all accrued interest due.

Interest on the Facility shall be at the rate of 6 month Kuala Lumpur Interbank Offered Rate (KLIBOR) plus spread of 70 basis points per annum, payable quarterly in arrears. HLB may, in certain circumstances, defer payment of interest. However, any such deferral of interest shall be cumulative and payable on the next interest payment date on which interest is not deferred. All deferred interest amount shall be payable not later than the date the Facility is fully repaid or prepaid, as the case may be.

The Facility will be funded by HLFG from external borrowings and/or internal funds.

The approval of BNM for the Facility has been obtained. The Facility is not subject to the approval of the shareholders of HLFG.

- (h) On 10 May 2011, CIMB, on behalf of HLB announced that HLB proposes to increase the size of the renounceable rights issue by RM1,000 million from up to RM1,600 million (as approved by HLB’s shareholders at the extraordinary general meeting (“EGM”) on 4 October 2010) to up to RM2,600 million (“Proposed Enlarged Rights Issue”).

The Proposed Enlarged Rights Issue will allow HLB to raise an aggregate gross proceeds of up to RM2,600 million. The entitlement basis for the Proposed Enlarged Rights Issue and the issue price for the new ordinary shares of RM1.00 each in HLB to be issued under the Proposed Enlarged Rights Issue (“Rights Shares”) (“Issue Price”) have not been fixed at this juncture to provide flexibility to the Board of Directors of HLB in respect of the pricing of the Rights Shares and the number of Rights Shares to be issued.

The Proposed Enlarged Rights Issue is to further strengthen the capital base of the HLB group and for working capital purposes. With the stronger capital base, HLB will be in a better position to take advantage of growth and market opportunities to extend its market share and profitability.

### 23. Events after Balance Sheet date (Continued)

- (h) The Proposed Enlarged Rights Issue is subject to the following approvals being obtained for the additional RM1,000 million rights issue:
  - (i) BNM / Minister of Finance;
  - (ii) shareholders of HLB at an EGM to be convened;
  - (iii) Bursa Malaysia Securities Berhad for the listing of and quotation for the Rights Shares to be issued; and
  - (iv) any other relevant authorities and/or parties, where required.

### 24. Changes in composition of the Group

There were no changes in the composition of the Group for the current financial period and up to the date of this report except for the following:

- a. On 2 July 2010, HLB announced that it had acquired 2 ordinary shares of RM1.00 each fully paid, representing the entire equity interest in Prominic Sdn Bhd ("Prominic"), for a total cash consideration of RM2.00.

Prominic was incorporated on 25 March 2010 in Malaysia. The authorised capital of Prominic is RM100,000 divided into 100,000 ordinary shares of RM1.00 each, of which 2 ordinary shares of RM1.00 each have been issued and fully paid-up.

As at 31 March 2011, Prominic was dormant. Its intended business activity is to issue Subordinated Notes under a Stapled Securities structure and to on-lend the proceeds from the issuance to HLB, the issuer of the Capital Securities.

Prominic was converted into a public company on 12 July 2010 and is now known as Prominic Berhad.

- b. HLAH, which is a wholly-owned subsidiary of HLFM and Hong Leong Assurance Bhd ("HLA"), which is a wholly-owned subsidiary of HLAH, had on 18 June 2010 entered into various agreements with MSIJ and its subsidiary, MSIG Insurance (Malaysia) Bhd ("MSIM"), in relation to the insurance businesses of HLA and MSIM ("Proposed Strategic Partnership").

The Proposed Strategic Partnership involved the following:

- (a) Proposed merger of both Non-Life Businesses of HLA and MSIM via a transfer of the Non-Life Business of HLA (except for certain excluded assets and liabilities) to MSIM for a consideration of RM618,646,291 to be satisfied via the issuance of such number of new shares as shall represent 30% of the ordinary issued and paid-up capital of MSIM, in accordance with the terms of the conditional business transfer agreement dated 18 June 2010 ("Proposed Non-Life Business Merger"); and

- (b) Upon completion of the Proposed Non-Life Business Merger, HLAH would dispose of 60,000,000 ordinary shares of RM1.00 each (representing a 30% equity interest) in HLA to MSIJ for a cash consideration of RM940 million in accordance with the terms of the conditional sale and purchase agreement dated 18 June 2010 ("Proposed Disposal").

The Proposed Non-Life Business Merger and Proposed Disposal were completed on 1 October 2010, and on even date, the equity interest of HLAH in HLA was reduced from 100% to 70%. At the same time, HLA transferred its 30% stake in MSIM to HLAH whereupon MSIM became an associated company of HLAH.

## 25. Commitments and contingencies

- a. In the normal course of business, the banking subsidiaries make various commitments and incur 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 not secured against the assets of the Group.

The commitments and contingencies constitute the following:

	As at 31/03/11			As at 30/06/10		
	Principal Amount RM'000	Credit Equivalent RM'000	Risk- Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent RM'000	Risk- Weighted Amount RM'000
<b>The Group</b>						
Direct credit substitutes	176,083	176,080	167,729	175,141	175,141	164,268
Transaction-related contingent items	292,015	146,008	133,354	257,429	128,715	117,040
Short-term self liquidating trade-related contingencies	442,505	88,501	86,890	533,384	106,677	104,316
Other assets sold with recourse and commitment	-	-	-	-	-	-
Underwriting obligations	-	-	-	-	-	-
Irrevocable commitments to extend credit:						
-maturity more than 1 year	7,219,097.00	1,365,765.00	2,831,044.00	-	-	-
-maturity less than 1 year	17,469,756.00	3,517,243.00	1,027,296.00	-	-	-
Any commitments that are unconditionally cancellable at any time by the bank without prior notice	-	-	-	21,415,746	-	-
Foreign exchange related contracts	40,139,851	1,272,673	783,406	38,854,571	1,508,811	955,252
Interest rate related contracts	52,940,573	1,843,464	904,272	41,466,597	1,404,961	706,729
Equity related contracts	133,754	9,204	5,527	188,250	12,159	3,388
<b>Total</b>	<b>118,813,634</b>	<b>8,418,938</b>	<b>5,939,518</b>	<b>102,891,118</b>	<b>3,336,464</b>	<b>2,050,993</b>

- b. Hong Leong Asset Management Berhad (fka HLG Unit Trust Bhd), a wholly-owned subsidiary company of the stockbroking division, HLG Capital Berhad, is the Manager of HLG Sectoral Fund ("Funds"), which comprises five sector funds. HLG Capital Berhad has provided a guarantee to Universal Trustee (Malaysia) Berhad, the trustee of the Funds, that if any of the five sector funds fall below the minimum fund size of RM1 million, HLG Capital Berhad would invest cash, equivalent to the shortfall, into the relevant fund.

The size of each of the five funds was above the minimum of RM1 million as at 31 March 2011.

## 26. Related party transactions

All related party transactions within the Group had been entered into in the normal course of business and were carried out on normal commercial terms.

## 27. Interest/Profit rate risk

	The Group							Effective interest rate %	
	31/03/2011								
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-Interest sensitive RM'000	Trading book RM'000	Total RM'000	
<b>Assets</b>									
Cash and short-term funds	2,366,132	-	-	-	-	16,425,017	-	18,791,149	2.8
Deposits and placements with banks and other financial institution	20,097	6,917,769	1,516,104	2,000	11,481	5,000	-	8,472,451	2.8
Securities purchased under resale agreements	-	-	-	-	-	-	-	-	-
Securities held at fair value through profit or loss	-	-	-	3,022	11,151	34,139	9,243,551	9,291,863	3.4
Securities available-for-sale	-	463,759	1,706,059	4,035,479	1,158,632	1,418,833	-	8,782,762	6.2
Securities held-for-maturity	1,423,316	1,400,000	1,719,175	3,113,148	97,805	754	-	7,754,198	3.4
Loans, advances and financing									
- performing	35,661,416	143,548	420,861	3,183,471	2,369,025	16,460	-	41,794,781	5.6
- non performing	-	-	-	-	-	796,186	-	796,186	-
Clients' and brokers' balances	-	-	-	-	-	222,512	-	222,512	-
Other receivables	-	-	-	-	-	2,170,123	-	2,170,123	-
Assets held for sale	-	-	-	-	-	-	-	-	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	682,933	-	682,933	-
Tax recoverable	-	-	-	-	-	5,627	-	5,627	-
Investment in associates	-	-	-	-	-	1,953,512	-	1,953,512	-
Investment in jointly controlled company	-	-	-	-	-	75,095	-	75,095	-
Prepaid land lease payments	-	-	-	-	-	16,869	-	16,869	-
Deferred tax assets	-	-	-	-	-	151,294	-	151,294	-
Property and equipment	-	-	-	-	-	667,245	-	667,245	-
Intangible assets	-	-	-	-	-	635,228	-	635,228	-
<b>Total assets</b>	<b>39,470,961</b>	<b>8,925,076</b>	<b>5,362,199</b>	<b>10,337,120</b>	<b>3,648,094</b>	<b>25,276,827</b>	<b>9,243,551</b>	<b>102,263,828</b>	
<b>Liabilities</b>									
Deposits from customers	33,891,617	12,660,567	-	14,417,857	3,276,043	8,322,097	-	72,568,181	2.2
Deposits and placements of banks and other financial institution	4,625,793	2,024,643	403,893	-	-	3,037	-	7,057,366	1.3
Bills and acceptance payable	3,832	23,805	10,858	-	-	425,858	-	464,353	2.3
Clients' and brokers' balances	-	-	-	-	-	338,739	-	338,739	-
Payables and other liabilities	-	-	-	-	-	4,082,956	-	4,082,956	-
Liabilities held for sale	-	-	-	-	-	-	-	-	-
Provision for claims	-	-	-	-	-	39,203	-	39,203	-
Provision for taxation	-	-	-	-	-	142,007	-	142,007	-
Bank loans	20,000	-	200,000	111,936	-	-	-	331,936	3.9
Senior Bonds	-	-	-	902,399	-	-	-	902,399	-
Subordinated obligations	-	-	-	696,859	-	(5,093)	-	691,766	4.4
Capital market borrowing									
- Commercial paper	-	-	-	-	-	-	-	-	-
Insurance funds	-	-	-	-	-	5,708,077	-	5,708,077	-
<b>Total liabilities</b>	<b>38,541,242</b>	<b>14,709,015</b>	<b>614,751</b>	<b>16,129,051</b>	<b>3,276,043</b>	<b>19,056,881</b>	<b>-</b>	<b>92,326,983</b>	
Shareholder's equity	-	-	-	-	-	7,300,208	-	7,300,208	
Minority interest	-	-	-	-	-	2,636,637	-	2,636,637	
<b>Total liabilities and shareholder's equity</b>	<b>38,541,242</b>	<b>14,709,015</b>	<b>614,751</b>	<b>16,129,051</b>	<b>3,276,043</b>	<b>28,993,726</b>	<b>-</b>	<b>102,263,828</b>	
On-balance sheet interest sensitivity gap	929,719	(5,783,939)	4,747,448	(5,791,931)	372,051				

## 27. Interest/Profit rate risk (continued)

The Group  
30/06/2010

	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-Interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
<b>Assets</b>									
Cash and short-term funds	16,366,214	-	-	-	-	815,287	-	17,181,501	2.3
Deposits and placements with banks and other financial institution	-	5,801,949	1,695,492	143,758	57,482	70	-	7,698,751	2.3
Securities held at fair value through profit or loss	-	-	-	-	-	-	9,308,836	9,308,836	3.6
Securities available-for-sale	139,216	422,083	292,034	4,922,251	1,681,510	639,586	-	8,096,680	4.4
Securities held-for-maturity	594,875	735,699	484,542	4,904,880	118,521	28,347	-	6,866,864	3.4
Loans, advances and financing									
- performing	32,198,018	72,047	324,176	3,171,795	2,884,592	(572,850)	-	38,077,778	6.4
- non performing	-	-	-	-	-	444,464	-	444,464	-
Clients' and brokers' balances	-	-	-	-	-	155,623	-	155,623	-
Other receivables	-	-	-	-	-	2,648,069	-	2,648,069	-
Statutory deposits with									
Bank Negara Malaysia	-	-	-	-	-	398,666	-	398,666	-
Tax recoverable	-	-	-	-	-	6,119	-	6,119	-
Investment in associate	-	-	-	-	-	1,172,175	-	1,172,175	-
Investment in jointly controlled company	-	-	-	-	-	76,023	-	76,023	-
Prepaid land lease payments	-	-	-	-	-	17,260	-	17,260	-
Deferred tax assets	-	-	-	-	-	176,138	-	176,138	-
Property and equipment	-	-	-	-	-	641,659	-	641,659	-
Intangible assets	-	-	-	-	-	628,823	-	628,823	-
Non-current assets held for sale	-	-	-	-	-	346,939	-	346,939	-
<b>Total assets</b>	<b>49,298,323</b>	<b>7,031,778</b>	<b>2,796,244</b>	<b>13,142,684</b>	<b>4,742,105</b>	<b>7,275,459</b>	<b>9,308,836</b>	<b>93,942,368</b>	
<b>Liabilities</b>									
Deposits from customers	35,616,326	8,716,843	15,951,132	1,659,228	-	7,537,367	-	69,480,896	2.0
Deposits and placements of banks and other financial institution	2,676,793	1,722,634	71,213	-	-	6,753	-	4,477,393	1.7
Bills and acceptance payable	2,510	15,592	7,112	-	-	278,926	-	304,140	2.7
Clients' and brokers' balances	-	-	-	-	-	262,415	-	262,415	-
Payables and other liabilities	-	-	-	-	-	4,942,138	-	4,942,138	-
Provision for claims	-	-	-	-	-	52,727	-	52,727	-
Provision for taxation	-	-	-	-	-	105,306	-	105,306	-
Bank loans	53,000	-	350,000	119,751	-	-	-	522,751	3.3
Subordinated obligations	-	-	-	650,454	-	-	-	650,454	-
Capital market borrowing									
- Commercial paper	109,866	109,641	-	-	-	-	-	219,507	2.7
Insurance funds	-	-	-	-	-	5,175,709	-	5,175,709	-
Liabilities directly associated with non-current assets held for sale	-	-	-	-	-	320,102	-	320,102	-
<b>Total liabilities</b>	<b>38,458,495</b>	<b>10,564,710</b>	<b>16,379,457</b>	<b>2,429,433</b>	<b>-</b>	<b>18,361,341</b>	<b>-</b>	<b>86,513,538</b>	
Shareholder's equity	-	-	-	-	-	5,160,551	-	5,160,551	
Minority interest	-	-	-	-	-	2,268,279	-	2,268,279	
<b>Total liabilities and shareholder's equity</b>	<b>38,458,495</b>	<b>10,564,710</b>	<b>16,379,457</b>	<b>2,429,433</b>	<b>-</b>	<b>25,790,171</b>	<b>-</b>	<b>93,942,368</b>	
On-balance sheet interest sensitivity gap	<u>10,839,828</u>	<u>(3,532,932)</u>	<u>(13,583,213)</u>	<u>10,713,251</u>	<u>4,742,105</u>				

## 27. Interest/Profit rate risk (continued)

The Company  
31/03/2011

	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-Interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
<b>Assets</b>									
Cash and short-term funds	43,400	-	-	-	-	103	-	43,503	2.8
Securities held at fair value through profit or loss	-	-	-	-	-	-	612,953	612,953	-
Other receivables	-	-	-	-	-	44,308	-	44,308	-
Investment in subsidiaries	-	-	-	-	-	2,500,475	-	2,500,475	-
Tax recoverable	-	-	-	-	-	4,975	-	4,975	-
Property and equipment	-	-	-	-	-	1,768	-	1,768	-
Intangible assets	-	-	-	-	-	30	-	30	-
<b>Total assets</b>	<b>43,400</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,551,659</b>	<b>612,953</b>	<b>3,208,012</b>	
<b>Liabilities</b>									
Payables and other liabilities	-	-	-	-	-	4,674	-	4,674	-
Bank loans	-	-	200,000	111,936	-	-	-	311,936	3.6
Capital market borrowing									
- Commercial paper	-	-	-	-	-	-	-	-	-
- Medium Term Notes	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>200,000</b>	<b>111,936</b>	<b>-</b>	<b>4,674</b>	<b>-</b>	<b>316,610</b>	
Shareholder's equity	-	-	-	-	-	2,891,402	-	2,891,402	
<b>Total liabilities and shareholder's equity</b>	<b>-</b>	<b>-</b>	<b>200,000</b>	<b>111,936</b>	<b>-</b>	<b>2,896,076</b>	<b>-</b>	<b>3,208,012</b>	
On-balance sheet interest sensitivity gap	43,400	-	(200,000)	(111,936)	-	-	-	-	

The Company  
30/06/2010

	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-Interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
<b>Assets</b>									
Cash and short-term funds	11,990	-	-	-	-	51	-	12,041	2.1
Securities held at fair value through profit or loss	-	-	-	-	-	-	23,014	23,014	-
Other receivables	-	-	-	-	-	288,513	-	288,513	-
Investment in subsidiaries	-	-	-	-	-	2,278,996	-	2,278,996	-
Tax recoverable	-	-	-	-	-	4,700	-	4,700	-
Property and equipment	-	-	-	-	-	1,954	-	1,954	-
Intangible assets	-	-	-	-	-	124	-	124	-
<b>Total assets</b>	<b>11,990</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,574,338</b>	<b>23,014</b>	<b>2,609,342</b>	
<b>Liabilities</b>									
Payables and other liabilities	-	-	-	-	-	5,252	-	5,252	-
Bank loans	31,000	-	350,000	119,751	-	-	-	500,751	3.3
Capital market borrowing									
- Commercial paper	109,866	109,641	-	-	-	-	-	219,507	2.7
- Medium Term Notes	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>140,866</b>	<b>109,641</b>	<b>350,000</b>	<b>119,751</b>	<b>-</b>	<b>5,252</b>	<b>-</b>	<b>725,510</b>	
Shareholder's equity	-	-	-	-	-	1,883,832	-	1,883,832	
<b>Total liabilities and shareholder's equity</b>	<b>140,866</b>	<b>109,641</b>	<b>350,000</b>	<b>119,751</b>	<b>-</b>	<b>1,889,084</b>	<b>-</b>	<b>2,609,342</b>	
On-balance sheet interest sensitivity gap	(128,876)	(109,641)	(350,000)	(119,751)	-	-	-	-	

## 28. Operations of Islamic Banking

### (a) Unaudited Balance Sheets as at 31 March 2011

	Group	
	As at 31/03/2011 RM'000	As at 30/06/2010 RM'000
<b>ASSETS</b>		
Cash and short-term funds	1,423,676	2,096,269
Deposits and placements with banks and other financial institutions	344,531	469,178
Securities held at fair value through profit or loss	2,092,455	2,133,529
Securities available-for-sale	1,342,656	569,403
Securities held-for-maturity	295,753	461,739
Financing, advances and other financing	5,117,732	4,138,867
Other receivables	21,579	26,791
Statutory deposits with Bank Negara Malaysia	154,450	47,000
Property, plant and equipment	3,442	1,977
Deferred tax assets	21,992	17,593
<b>Total Assets</b>	<b>10,818,266</b>	<b>9,962,346</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>		
Deposits from customers	9,017,621	7,731,615
Deposits and placements of banks and other financial institutions	357,630	865,979
Bills and acceptance payable	110,460	18,774
Payables and other liabilities	476,507	521,766
Provision for taxation	8,394	5,402
<b>Total Liabilities</b>	<b>9,970,612</b>	<b>9,143,536</b>
Islamic banking capital fund	500,000	500,000
Reserves	347,654	318,810
<b>Islamic Banking Funds</b>	<b>847,654</b>	<b>818,810</b>
<b>Total Liabilities and Islamic Banking Funds</b>	<b>10,818,266</b>	<b>9,962,346</b>
<b>Commitments and Contingencies</b>	<b>2,138,620</b>	<b>1,468,416</b>



**(b) Unaudited Income Statements for the 3rd Quarter Ended 31 March 2011**

	<b>Current quarter ended 31/03/2011 RM '000</b>	<b>Last year quarter ended 31/03/2010 RM '000</b>	<b>Current year ended 31/03/2011 RM '000</b>	<b>Last year ended 31/03/2010 RM '000</b>
<b>Group</b>				
Income derived from investment of deposits' funds and others	91,340	71,699	273,990	218,376
Income derived from investment of shareholders' funds	10,425	9,107	31,627	29,290
Allowance for losses on financing	(5,615)	3,811	(20,556)	4,302
Profit equalisation reserve	734	(2,135)	3,454	2,507
Total distributable income	96,884	82,482	288,515	254,475
Income attributable to deposits	(54,438)	(36,607)	(164,798)	(112,141)
Total net income	42,446	45,875	123,717	142,334
Other operating expenses	(20,912)	(20,132)	(57,027)	(54,135)
Profit before taxation and zakat	21,534	25,743	66,690	88,199
Zakat	(17)	(12)	(48)	(37)
Taxation	(5,405)	(6,461)	(16,673)	(22,085)
Profit after taxation and zakat	16,112	19,270	49,969	66,077
Profit attributable to shareholders	16,112	19,270	49,969	66,077
Earnings per share - basic (sen)	3.52	3.85	6.77	9.36
Earnings per share - fully diluted (sen)	3.52	3.85	6.77	9.36

(c) **Financing, advances and other financing**

(i) **By type**

	Group	
	As at 31/03/2011 RM'000	As at 30/06/2010 RM'000
Cash line	954	3,613
Term financing		
- House financing	6,864,023	4,334,789
- Hire purchase receivable	2,535,695	2,466,921
- Lease receivable	4,984	11,806
- Other term financing	964,342	560,441
Claims on customers under acceptance credits	192,488	103,135
Staff financing	1	3
Revolving credit	25,068	-
Others	350	467
	<u>10,587,905</u>	<u>7,481,175</u>
Less: Unearned income	<u>(5,361,682)</u>	<u>(3,253,426)</u>
	5,226,223	4,227,749
Less: Allowance for bad and doubtful financing		
- Collective assessment	(105,448)	-
- Individual assessment	(3,043)	-
- General	-	(66,175)
- Specific	-	(22,707)
Total net financing, advances and other financing	<u>5,117,732</u>	<u>4,138,867</u>

(ii) **By contract**

	Group	
	As at 31/03/2011 RM'000	As at 30/06/2010 RM'000
Bai' Bithaman Ajil (deferred payment sale)	2,789,188	1,941,026
Ijarah (lease)	4,964	11,687
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,214,516	2,171,901
Murabahah (cost-plus)	217,555	103,135
	<u>5,226,223</u>	<u>4,227,749</u>

Non-performing financing

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

	Group	
	As at 31/03/2011 RM'000	As at 30/06/2010 RM'000
At beginning		
- as previously stated	36,324	46,260
- effect of adopting FRS 139	6,432	-
As restated	<u>42,756</u>	<u>46,260</u>
Non-performing during the period/year	49,634	235,161
Reclassified as performing	(26,466)	(211,205)
Amount written back in respect of recoveries	(14,957)	(24,167)
Amount written off	-	(9,725)
Closing balance	<u>93,723</u>	<u>36,324</u>
Net non-performing financing, advances and other financing	<u>93,723</u>	<u>13,617</u>
Ratio of net non-performing financing, advances and other financing to total net financing, advances and other financing	<u>1.8%</u>	<u>0.3%</u>

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

	Group	
	As at 31/03/2011 RM'000	As at 30/06/2010 RM'000
<b>Collective assessment allowance</b>		
At beginning		
- as previously stated	-	-
- effect of adopting FRS 139	84,875	-
As restated	84,875	-
Net allowance made/(written back) during the year	21,283	-
Unwinding income	(710)	-
Closing balance	105,448	-
<b>Individual assessment allowance</b>		
At beginning		
- as previously stated	-	-
- effect of adopting FRS 139	1,294	-
As restated	1,294	-
Net allowance made/(written back) during the year	1,853	-
Unwinding income	(104)	-
Closing balance	3,043	-
<b>General allowance</b>		
At beginning		
- as previously stated	66,175	73,486
- effect of adopting FRS 139	(66,175)	-
As restated	-	73,486
Net allowance made/(written back) during the year	-	(7,311)
Closing balance	-	66,175
As % of gross financing, advances and other financing less specific allowance	0.0%	1.9%
<b>Specific allowance</b>		
At beginning		
- as previously stated	22,707	21,027
- effect of adopting FRS 139	(22,707)	-
As restated	-	21,027
Allowance made during the period/year	-	19,831
Amount written back in respect of recoveries	-	(8,426)
Amount written off	-	(9,725)
Closing balance	-	22,707

**(e) Deposits from customer**

By type of deposit

	Group	
	As at 31/03/2011 RM'000	As at 30/06/2010 RM'000
<b>Non-Mudharabah</b>		
Demand deposits	588,584	453,133
Savings deposits	676,802	631,211
Negotiable instruments of deposit	2,039,372	1,254,754
	3,304,758	2,339,098
<b>Mudharabah</b>		
Saving deposits	703,522	636,172
General investment deposits	2,594,740	2,287,927
Specific investment deposits	2,414,601	2,468,418
	5,712,863	5,392,517
	9,017,621	7,731,615

## 29 Effects of change in accounting policies

During the current reporting period, the Group adopted the following significant standards and amendments to standards:

- i) FRS 139 Financial Instruments : Recognition and Measurement
- ii) IC Interpretation 9 Reassessment of Embedded Derivatives
- iii) FRS7 Financial Instruments : Disclosures
- iv) Amendment to FRS 139 "Financial Instruments : Recognition and Measurement", FRS 7

FRS 139 establishes the principles for recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. BNM's Revised Guidelines on Financial Reporting for Licensed Institutions ('BNM/GP8') which was effective since 1 January 2005 had addressed a significant portion of the requirements under FRS 139. Therefore, the adoption of FRS 139 on 1 July 2010 has resulted in some additional requirements implemented by the Group as follows:

### 1) Impairment of Loans, Advances and Financing

Prior to 1 July 2010, the Group's loan loss allowances were determined in accordance with BNM/GP3 Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts ("BNM/GP3").

Under FRS 139, the Group assess at each reporting date whether there is any objective evidence that a loan or a group of loans is impaired. The loan or group of loans is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the loan (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the loan or group of loans that can be reliably estimated.

The Group first assess whether objective evidence of impairment exists individually for loans which are individually significant, and individually or collectively for loans which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is included in a group of loans with similar credit risk characteristics and collectively assessed for impairment.

Loan impairment is calculated as the difference between the carrying amount and the present value of future expected cash flows discounted at the original effective interest rate ('EIR') of loans, advances and financing. The carrying amount of the loans, advances and financing is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

In the Amendments to FRS 139 listed above, MASB has included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe an alternative basis for collective assessment of impairment by banking institutions. This transitional arrangement is prescribed in BNM's guidelines on Classification and Impairment Provisions for Loans/Financing issued on 26 January 2010, whereby banking institutions are required to maintain collective assessment impairment allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance. Subject to the written approval by BNM, banking institutions are allowed to maintain a lower collective assessment impairment allowance. The collective assessment impairment allowance of the Group as at the reporting date have been arrived at based on this transitional arrangement issued by BNM.

29 Effects change in accounting policies (continued)

2) Recognition of Interest Income

Prior to 1 July 2010, interest on loans, advances and financing was recognised in the income statement at contracted interest rates. FRS 139 requires interest income to be recognised on an EIR basis. The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the loan or, when appropriate, a shorter period to the net carrying amount of the loan. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not the future credit losses.

Prior to the adoption of FRS 139, where a loan becomes non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing are reversed out of the income statement and set off against the accrued interest receivable account in the balance sheet. Subsequently, the interest earned on the non-performing loans shall be recognised as income on cash basis. Upon adoption of FRS 139, once a loan has been written down due to impairment loss, interest income is recognised based on the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

3) Recognition of Embedded Derivatives

Upon adoption of FRS 139, embedded derivatives are to be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to the host contract and the fair value of the resulting derivative can be reliably measured.

4) Fair Valuation of Unquoted Equity Securities

Upon adoption of FRS 139, all unquoted equity securities are now required to be excluded from financial investments held-to-maturity and to be fair valued. These securities have been reclassified to financial investments available-for-sale, with changes in fair value recognised directly to AFS reserves.

Under FRS 4, the Group reduces the carrying amount of the insurance receivable balance and recognises an impairment loss in the statement of income and expenditure if there is objective evidence that the insurance receivable is impaired.

As a result of this change, the Group recognised a release in allowance for doubtful debts of approximately RM1,580,000 to the opening retained profit of the shareholder's funds. These securities have been reclassified to financial investment available-for-sale, with changes in fair value recognised directly to AFS reserves.

The changes in accounting policies described above have resulted in adjustments to opening reserves of the Group are as follows:

	As previously reported RM'000	Group Effects from changes in accounting policies RM'000	As restated RM'000
<b>As at 1 July 2010</b>			
<b>Statement of changes in equity</b>			
Retained profit	2,703,870	40,330	2,744,200
Fair value reserves	17,854	52,304	70,158
Minority interest	2,268,279	10,061	2,278,340

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)  
ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES  
BERHAD LISTING REQUIREMENTS**

**1 Review of performance**

**Current quarter against preceding year's corresponding quarter**

The Group recorded a profit before tax of RM 388.9 million for the current quarter ended 31 March 2011 as compared to RM255.0 million in the preceding year's corresponding quarter, an increase of RM133.9 million (52.5%). The higher profit is mainly due to higher contribution from all three divisions.

The Commercial Banking division recorded a profit before tax of RM354.3 million for the current quarter ended 31 March 2011 as compared to RM260.0 million in the previous corresponding quarter, an increase of RM94.3 million. The increase is mainly attributed by higher net interest income coupled with higher share of results from our equity stake in Bank of Chengdu.

The Investment Banking division recorded a profit before tax of RM14.3 million for the current quarter ended 31 March 2011 as compared to RM4.6 million in the preceding year's corresponding quarter. This was mainly due to higher contributions coming from the investment banking arm.

The Insurance division recorded a profit before tax of RM19.9 million as compared to a loss before tax of RM1.6 million. This is mainly due to the immediate share of profit from our 30% equity stake in MSIG Malaysia.

**2 Financial year-to-date against preceding financial year-to-date**

The Group recorded a profit before tax of RM1,906.6 million for the financial period ended 31 March 2011 as compared to RM859.2 million in the previous corresponding period. The higher profit is mainly due to a surplus transfer from HLA Life division of RM175 million and a RM619 million one-time gain on transfer of HLA General's business to MSIG Malaysia. Backing off the one-time gain and one-time surplus transfer from Life, the Group 'normalised' profit before tax is RM1,112.6 million, 29.5% higher than the previous corresponding period. This came from good business performance from all divisions of the Group.

The Commercial Banking division recorded a profit before tax of RM1,031.4 million for the period ended 31 March 2011 against RM840.1 million in the previous corresponding period, an increase of RM191.3 million or +22.8%. The increase is mainly attributed to higher net interest income and higher share of results from our equity stake in Bank of Chengdu.

The Investment Banking division recorded a profit before tax of RM42.6 million for the period ending 31 March 2011 as compared to RM16.5 million in the previous corresponding period, an increase of RM26.1 million. This is mainly due to higher contributions from the investment banking arm.

The Insurance division recorded a profit before tax of RM860.2 million for the period ended 31 March 2011 as compared to RM28.2 million in the previous corresponding period. Backing off the one-time gain and one-time surplus transfer from Life, the Insurance division recorded a 'normalised' profit before tax of RM66.2 million. The higher profit is mainly due to the share of profit from our 30% equity stake in MSIG Malaysia.

**3 Current quarter against preceding financial quarter**

The Group recorded a profit before tax of RM 388.9 million for the current quarter ended 31 March 2011 as compared to RM1,010.4 million in the previous preceding financial quarter. The higher profit in the previous preceding financial quarter due to a surplus transfer from HLA Life division of RM175 million and a RM619 million one-time gain on transfer of HLA General's business to MSIG Malaysia.

## 2. Current quarter against preceding financial quarter (Continued)

The Commercial Banking division recorded a profit before tax of RM354.3 million for the current quarter ended 31 March 2011 as compared to RM359.7 million in the previous preceding financial quarter, a decrease of RM5.4 million mainly due to lower other operating income and lower net income from Islamic banking business.

The Investment Banking division recorded a profit before tax of RM14.3 million for the current quarter ended 31 March 2011 as compared to RM19.4 million in the previous preceding financial quarter. The decrease in profit was due to lower fee and trading income from investment banking during the financial quarter.

The Insurance division recorded a profit before tax of RM19.9 million as compared to RM650.7 million in the previous preceding financial quarter. The higher profit in the previous preceding financial quarter due to a surplus transfer from HLA Life division of RM175 million and a RM619 million one-time gain on transfer of HLA General's business to MSIG Malaysia.

## 4 Prospects for the current financial year

Barring unforeseen circumstances, the Group is expected to perform satisfactorily for the current financial year.

## 5 Variance of actual profit from forecasted profit

There was no profit forecast or profit guarantee issued by the Group.

## 6 Taxation

Provision based on profits for the financial period 31 March 2011

	Group		Group	
	Current quarter ended 31/03/2011 RM '000	Last year quarter ended 31/03/2010 RM '000	Current year ended 31/03/2011 RM '000	Last year ended 31/03/2010 RM '000
Tax expense				
Malaysian – current	(95,156)	(30,262)	(303,725)	(158,930)
Overseas – current	-	-	-	-
Transfer (from) / to deferred tax	5,306	51	5,308	(2,418)
	<u>(89,850)</u>	<u>(30,211)</u>	<u>(298,417)</u>	<u>(161,348)</u>
Prior year over/(under) provision				
- Malaysian	57,478	1	57,478	320
	<u>(32,372)</u>	<u>(30,210)</u>	<u>(240,939)</u>	<u>(161,028)</u>

The effective tax rate for the Group for the financial period is lower than the statutory rate of taxation as certain income was not subjected to tax.

	Company		Company	
	Current quarter ended 31/03/2011 RM '000	31/03/2010 RM '000	Current year ended 31/03/2011 RM '000	31/03/2010 RM '000
Tax expenses				
Malaysian – current	(21,146)	(19,420)	(56,848)	(55,104)
Transfer (from) / to deferred tax	-	-	-	-
	<u>(21,146)</u>	<u>(19,420)</u>	<u>(56,848)</u>	<u>(55,104)</u>
Prior year over/(under) provision				
- Malaysian	-	-	-	-
	<u>(21,146)</u>	<u>(19,420)</u>	<u>(56,848)</u>	<u>(55,104)</u>

## 7 Sale of properties/unquoted investments

There was no sale of properties and / or unquoted investments during the period under review other than that disclosed in Note 23.

## 8 Purchase / sale of quoted securities of the Group

There was no other purchase or disposal of quoted securities for the period under review other than those purchased or disposed in the ordinary course of business.

## 9 Status of corporate proposals

There were no corporate proposals announced but not completed at the latest practicable date which was not earlier than 7 days from the issue of this report other than that disclosed in Note 23.

## 10 Group borrowings

The Group borrowings include:

	As at 31/03/2011 RM '000	As at 30/06/2010 RM '000
Bank loans	331,936	522,751
Capital market borrowing	-	219,507
Total Borrowings	<u>331,936</u>	<u>742,258</u>
Subordinated obligations - USD200 million	-	650,454
Subordinated obligations - USD700 million	691,766	-

### Subordinated bonds

On 3 August 2005, the Banking subsidiary company, Hong Leong Bank (“the Bank” or “HLB”) issued USD200 million in aggregate principal amount of Subordinated Bonds (“the Bonds”) due 2015 callable with step-up in 2010. The Bonds bear interest at the rate of 5.25% per annum from, and including 3 August 2005 to, but excluding 3 August 2010 and, thereafter, at a rate per annum equal to the 5 Year US Treasury Rate plus 2.717%. The interest is payable semi-annually in arrears on 3 February and 3 August in each year, commencing on 3 February 2006. The Bonds were issued at a price of 99.848 per cent of the principal amount of the Bonds. The Bonds will, subject to the prior written approval of Bank Negara Malaysia, if required, be redeemable in whole but not in part, at the option of the Bank on 3 August 2010 or in the event of certain changes affecting taxation in Malaysia or any other jurisdiction where the Bank has to pay tax in relation to the Bonds, at their principal amount plus accrued interest.

On 3 August 2010, the Bank had fully redeemed its US\$200 million Bonds. The Bonds has been delisted from the Official Listing of the Singapore Exchange Securities Trading Limited following the redemption.

On 10 August 2010, the Bank had completed its inaugural Ringgit issuance of RM700 million Tier 2 Subordinated Debt (“Sub Debt”). The Sub Debt formed part of the Tier 2 Subordinated Notes Programme of up to RM1.7 billion, as approved by the Securities Commission vide its letter dated 27 July 2010.

The Sub Debt has a maturity of 10 years and matures on 10 August 2020. Subject to BNM’s approval, the Bank has the option to redeem the Sub Debt early at the end of year 5, which is on 10 August 2015 and on each subsequent coupon payment dates thereafter. The Sub Debt's interest rate is 4.85% per annum payable semi-annually in arrears for the tenor of the notes.

The Sub Debt constitute unsecured liabilities of the Bank, and are subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.



## 11 Off-Balance Sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 March 2011

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	26,212,742	128,014	(243,962)
(ii) 1 year to 3 years	12,105	21	(90)
(iii) More than 3 years	-	-	-
- Swaps			
(i) Less than 1 year	5,937,398	148,328	(47,238)
(ii) 1 year to 3 years	5,009,796	97,588	(50,944)
(iii) More than 3 years	350,594	26,725	(32,429)
- Options			
(i) Less than 1 year	2,314,084	13,010	(11,937)
(ii) 1 year to 3 years	137,088	2,854	(2,854)
(iii) More than 3 years	-	-	-
Interest rate related contracts			
- Forwards			
(i) Less than 1 year	-	-	-
(ii) 1 year to 3 years	-	-	-
(iii) More than 3 years	-	-	-
- Futures			
(i) Less than 1 year	2,614,901	304	(2,806)
(ii) 1 year to 3 years	3,188,651	661	(156)
(iii) More than 3 years	2,903,272	1,547	2,116
- Swaps			
(i) Less than 1 year	43,946,924	283,908	(246,737)
(ii) 1 year to 3 years	184,855	-	(1,977)
(iii) More than 3 years	220,000	-	-
Equity related contracts			
(i) Less than 1 year	127,154	1,047	(1,047)
(ii) 1 year to 3 years	54,614	198	55
(iii) More than 3 years	-	-	-
<b>Total</b>	<b>93,214,178</b>	<b>704,205</b>	<b>(640,006)</b>

### 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 amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial year, the amount of contracts which were not hedged and hence, exposed to foreign exchange and interest rate market risk were RM552,046,125 (FYE June 2010: RM569,392,174) and RM42,851,110,209 (FYE June 2010: RM33,587,897,090) respectively.

### Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial year, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM745,165,346 (FYE June 2010: 1,339,766,178). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

### Related accounting policies

The accounting policies applied for recognising the financial instruments concerned are the same as those applied for the audited annual financial statements.

## 12 Material litigation

- (a) The Company was served with a Writ of Summons dated 21 March 2002 filed by Borneo Securities Holdings Sdn Bhd (“BSH”) in relation to the termination of the Sale and Purchase Agreement (“SPA”) dated 31 October 2000 between HLG Securities Sdn Bhd (“HLG Sec”) and BSH for the proposed acquisition of 100% equity interest in Borneo Securities Sdn Bhd (“BS”) for a total purchase consideration of RM88 million comprising RM31 million cash and the balance RM57 million to be satisfied through the issue of new HLG shares to BSH (“Proposed Acquisition”). In conjunction with the Proposed Acquisition, BSH issued a letter to HLFG undertaking to give HLFG a first right of refusal to purchase any or all of the new HLG shares that BSH may, from time to time, wish to sell (“Undertaking”).

In view of the Undertaking, HLFG was deemed interested in the Proposed Acquisition and in compliance with the rules on related party transactions of the Bursa Malaysia Securities Berhad, HLFG had to abstain from voting at the extraordinary general meeting (“EGM”) of HLG convened to consider the Proposed Acquisition. BSH alleged that HLFG ought not to have abstained from voting at the EGM and in so doing, had caused the SPA to be terminated. The Company is of the view that the claim is baseless and had appointed lawyers to defend the suit.

On 18 November 2010, the High Court dismissed BSH's claim against the Company. On 9 December 2010, BSH filed a notice of appeal against the High Court decision. To date, no hearing date has been fixed for the appeal.

Other than the above, there is no pending material litigation.

## 13 HLFG Dividends

A second interim single tier dividend of 15.0 sen per share had been proposed by the Company during the current financial quarter.

- (i) Amount per share : 15 sen per share (single tier)
- (ii) Previous corresponding period : 8 sen per share less income tax of 25% and 6 sen per share tax exempt
- (iii) Entitlement date : 15 June 2011
- (iv) Payment date : 1 July 2011

A special single tier dividend of 3.0 sen per share had been proposed by the Company during the current financial quarter.

- (i) Amount per share : 3 sen per share (single tier)
- (ii) Previous corresponding period : N/A
- (iii) Entitlement date : 15 June 2011
- (iv) Payment date : 1 July 2011

For the financial period ended 31 March 2011, a total dividend of 28 sen per share (6.3 sen less income tax of 25% and 21.7 sen combination of tax exempt & single tier) was declared (31 March 2010 : 17 sen per share less income tax of 25% and 6 sen per share tax exempt).

## 14 Earnings per share

- (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit after taxation and minority interest by the weighted average number of ordinary shares in issue during the financial year.

	Group		Group	
	Current quarter ended	Last year quarter ended	Current year ended	Last year ended
Weighted Average Number Of Ordinary Shares	31/03/2011 RM '000	31/03/2010 RM '000	31/03/2011 RM '000	31/03/2010 RM '000
Weighted average number of ordinary shares	1,035,538	1,035,538	1,035,538	1,035,538
Net profit attributable to shareholders of the company	264,589	141,923	1,376,850	445,901
Basic earnings per share (Sen)	25.6	13.7	133.0	43.1

#### 14 Earnings per share (Continued)

	Company		Company	
	Current quarter ended 31/03/2011 RM '000	Last year quarter ended 31/03/2010 RM '000	Current year ended 31/03/2011 RM '000	Last year ended 31/03/2010 RM '000
<b>Weighted Average Number Of Ordinary Shares</b>				
Weighted average number of ordinary shares	1,038,307	1,035,538	1,038,307	1,035,538
Net profit attributable to shareholders of the company	998,160	294,958	1,082,767	390,119
<b>Basic earnings per share (Sen)</b>	<b>96.1</b>	<b>28.5</b>	<b>104.3</b>	<b>37.7</b>

#### (b) Fully diluted earnings per share

Basic earnings per share is calculated by dividing the profit after taxation and minority interest by the weighted average number of ordinary shares (diluted) during the financial year.

	Group		Group	
	Current quarter ended 31/03/2011 RM '000	Last year quarter ended 31/03/2010 RM '000	Current year ended 31/03/2011 RM '000	Last year ended 31/03/2010 RM '000
<b>Fully Diluted Weighted Average Number Of Ordinary Shares</b>				
Weighted average no. of shares as at end of financial period	1,035,538	1,035,538	1,035,538	1,035,538
Weighted average number of ordinary shares (Diluted)	1,035,538	1,035,538	1,035,538	1,035,538
Net profit attributable to shareholders of the company	264,589	141,923	1,376,850	445,901
<b>Fully diluted earnings per share (Sen)</b>	<b>25.6</b>	<b>13.7</b>	<b>133.0</b>	<b>43.1</b>

	Company		Company	
	Current quarter ended 31/03/2011 RM '000	Last year quarter ended 31/03/2010 RM '000	Current year ended 31/03/2011 RM '000	Last year ended 31/03/2010 RM '000
<b>Fully Diluted Weighted Average Number Of Ordinary Shares</b>				
Weighted average no. of shares as at end of financial period	1,038,307	1,035,538	1,038,307	1,035,538
Weighted average number of ordinary shares (Diluted)	1,038,307	1,035,538	1,038,307	1,035,538
Net profit attributable to shareholders of the company	998,160	294,958	1,082,767	390,119
<b>Fully diluted earnings per share (Sen)</b>	<b>96.1</b>	<b>28.5</b>	<b>104.3</b>	<b>37.7</b>

## 15 Realised and unrealised profit

On 25 March 2010, Bursa Malaysia issued a directive that requires all listed issuer to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period into realised and unrealised profits or losses.

The breakdown of realised and unrealised profit is derived based on the Guidance on Special Note No.1 *Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirement*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The unrealised retained profits of the Group as disclosed below excludes translation gains and losses on monetary items denominated in a currency other than the functional currency and foreign exchange contracts, as these translation gains and losses are incurred in the ordinary course of business of the Group and are deemed realised.

The breakdown of the retained profits of the Group are as follows:

	<b>Group As at 31/03/2011 RM '000</b>
Total retained profits of the Group and its subsidiaries	
- Realised	5,078,126
- Unrealised	542,689
Total share of retained profits from associated companies	
- Realised	405,045
- Unrealised	(5)
Total share of retained profits from jointly controlled entity	
- Realised	(928)
- Unrealised	-
	<hr/> 6,024,927
Less : Consolidated adjustment	(1,224,531)
Total Group retained profits as per consolidated accounts	<hr/> <hr/> 4,800,396

Dated this 10 May 2011