

Condensed Financial Statements

Unaudited Balance Sheet As At 31 December 2007

	The Group		The Bank		
	Note	Financial Period Ended 31/12/2007	Financial Year Ended 30/06/2007	Financial Period Ended 31/12/2007	Financial Year Ended 30/06/2007
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds		18,484,755	15,989,916	16,873,069	14,880,849
Deposits and placements with financial institutions		2,730,492	9,147,158	2,730,492	9,047,158
Securities purchased under resale agreements		1,022,997	3,495,309	1,022,997	3,495,309
Securities held at fair value through profit and loss	8	5,094,142	3,487,793	4,647,216	3,217,357
Securities available-for-sale	9	3,478,933	2,826,572	3,316,893	2,678,308
Securities held-to-maturity	10	1,588,881	2,466,821	1,404,029	2,034,009
Loans, advances and financing	11	32,959,411	31,654,774	28,943,732	27,965,985
Other assets	12	602,689	690,782	696,268	812,195
Statutory deposits with Bank Negara Malaysia		1,219,739	1,206,939	1,074,925	1,036,625
Investment in subsidiary companies		-	-	577,041	577,041
Prepaid land lease payments		6,805	6,815	5,914	5,923
Property, plant and equipment		281,068	245,554	263,000	229,390
Intangible assets		33,743	33,823	33,743	32,171
Deferred tax assets		163,899	164,961	147,372	149,078
General and Family Takaful fund assets		125,550	6,522	-	-
Total Assets		67,793,104	71,423,739	61,736,691	66,161,398
LIABILITIES AND SHAREHOLDERS' FUNDS					
Deposits from customers	13	57,588,430	56,719,397	52,330,106	51,873,299
Deposits and placements of banks and other financial institutions	14	2,603,297	5,113,620	2,198,297	5,038,620
Obligations on securities sold under repurchase agreements		-	1,129,521	-	1,129,521
Bills and acceptance payable		398,542	566,251	387,127	562,495
Other liabilities	15	1,417,105	1,963,074	1,399,173	1,843,864
Subordinated Bonds		676,034	671,657	676,034	671,657
Syndicated loan facility		-	509,850	-	509,850
Provision for taxation		91,585	85,140	44,174	38,409
General and Family Takaful fund liabilities		17,596	928	-	-
General and Family Takaful policyholders' fund		107,954	5,594	-	-
Total Liabilities		62,900,543	66,765,032	57,034,911	61,667,715
Share Capital		1,580,107	1,580,107	1,580,107	1,580,107
Reserves		3,967,550	3,730,056	3,820,707	3,608,687
Less: Treasury Shares		(699,034)	(695,111)	(699,034)	(695,111)
Total Shareholders' Equity		4,848,623	4,615,052	4,701,780	4,493,683
Minority interest		43,938	43,655	-	-
Total Equity		4,892,561	4,658,707	4,701,780	4,493,683
Total Liabilities and Equity		67,793,104	71,423,739	61,736,691	66,161,398
COMMITMENTS AND CONTINGENCIES					
	25	87,428,750	76,664,716	86,634,677	76,266,690
CAPITAL ADEQUACY					
Before deducting proposed dividends					
Core capital ratio	21	13.39%	13.34%	14.60%	14.42%
Risk-weighted capital ratio	21	16.67%	16.79%	16.28%	16.17%
After deducting proposed dividends					
Core capital ratio	21	13.12%	12.84%	14.29%	13.86%
Risk-weighted capital ratio	21	16.40%	16.29%	15.97%	15.62%
Net asset per share attributable to ordinary equity holders of the parent (RM) *		3.35	3.18	3.24	3.10

* The Net assets per share attributable to ordinary equity holders of the parent (RM) is computed as Total Shareholders' Funds (excluding Minority Interest) divided by total number of ordinary shares in circulation

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Income Statement
For The Financial Quarter Ended 31 December 2007

The Group

	Note	Current Quarter Ended 31/12/2007 RM'000	Corresponding Quarter Ended 31/12/2006 RM'000	Current Period Ended 31/12/2007 RM'000	Corresponding Period Ended 31/12/2006 RM'000
Interest income	16	754,117	703,700	1,505,601	1,370,518
Interest expense	17	(406,835)	(415,842)	(825,796)	(785,360)
Net interest income		347,282	287,858	679,805	585,158
Net income from Islamic Banking business		40,412	30,617	79,640	66,787
Other operating income	18	136,527	118,319	239,622	206,600
Net Income		524,221	436,794	999,067	858,545
Other operating expenses	19	(206,082)	(175,253)	(404,732)	(345,364)
Operating profit before provision Allowance for losses on loans, advances and financing	20	318,139	261,541	594,335	513,181
Impairment loss - securities		-	-	(1,009)	-
Profit before taxation (and zakat)		293,088	212,432	548,790	410,832
Taxation		(78,801)	(57,346)	(146,397)	(111,370)
Zakat		-	(9)	-	(18)
Net profit for the period		214,287	155,077	402,393	299,444
Attributable to:					
Equity holders of the parent		213,844	155,557	402,110	299,924
Minority Interest		443	(480)	283	(480)
Net profit for the period		214,287	155,077	402,393	299,444
Earnings per share - basic (sen)		14.8	10.6	27.7	20.4
Earnings per share - fully diluted (sen)		14.8	10.6	27.7	20.4

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Income Statement
For The Financial Quarter Ended 31 December 2007

The Bank

	Note	Current Quarter Ended 31/12/2007 RM'000	Corresponding Quarter Ended 31/12/2006 RM'000	Current Period Ended 31/12/2007 RM'000	Corresponding Period Ended 31/12/2006 RM'000
Interest income	16	754,024	708,243	1,506,240	1,379,680
Interest expense	17	(407,906)	(420,635)	(827,848)	(794,910)
Net interest income		346,118	287,608	678,392	584,770
Net income from Islamic Banking business		-	-	-	-
Other operating income	18	135,804	117,963	242,278	206,243
Net Income		481,922	405,571	920,670	791,013
Other operating expenses	19	(189,872)	(161,519)	(373,963)	(312,873)
Operating profit before provision		292,050	244,052	546,707	478,140
Allowances for losses on loans and financing	20	(20,492)	(48,180)	(34,744)	(103,536)
Impairment loss - securities		-	-	(1,009)	-
Profit before taxation (and zakat)		271,558	195,872	510,954	374,604
Taxation		(73,227)	(52,621)	(135,259)	(101,557)
Zakat		-	-	-	-
Profit after taxation		198,331	143,251	375,695	273,047
Profit attributable to shareholders		198,331	143,251	375,695	273,047
Earnings per share - basic (sen)		13.7	9.8	25.9	18.6
Earnings per share - fully diluted (sen)		13.7	9.8	25.9	18.6

Condensed Financial Statements
Hong Leong Bank Berhad
Unaudited Statement of Changes in Equity For The Financial Period Ended 31 December 2007

The Group	Non-distributable						Distributable		Total Shareholders' Equity RM'000	Minority Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair Value Reserve RM'000	Share options Reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Profit RM'000	Treasury Shares RM'000			
As at 1 July 2007	1,580,107	539,664	1,791,566	(9,508)	-	39,111	1,369,223	(695,111)	43,655	4,658,707	
As at 1 July 2007, as restated	1,580,107	539,664	1,791,566	(9,508)	-	39,111	1,369,223	(695,111)	43,655	4,658,707	
<i>Currency translation differences</i>	-	-	-	-	-	(3,582)	-	-	-	(3,582)	
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	-	(3,582)	-	-	-	(3,582)	
Investment of shares in a subsidiary	-	-	-	-	-	-	-	-	-	-	
Net profit for the period	-	-	-	-	-	-	402,110	-	283	402,393	
Transfer to statutory reserve	-	-	15,479	-	-	-	(15,479)	-	-	-	
Dividend paid	-	-	-	-	-	-	(160,840)	-	-	(160,840)	
less: Treasury shares	-	-	-	-	-	-	-	(3,923)	-	(3,923)	
Net fair value changes in available for sale securities	-	-	-	(751)	-	-	-	-	-	(751)	
Options charge arising from ESOS granted	-	-	-	-	557	-	-	-	-	557	
Closing Balance @30 December 2007	1,580,107	539,664	1,807,045	(10,259)	557	35,529	1,595,014	(699,034)	43,938	4,892,561	
As at 1 July 2005	1,580,107	539,664	1,626,403	(79,606)	-	35,363	1,170,005	(491,025)	-	4,380,909	
As previously stated	-	-	-	-	-	-	-	-	-	-	
As at 1 July 2005, as restated	1,580,107	539,664	1,626,403	(79,606)	-	35,363	1,170,005	(491,025)	-	4,380,909	
<i>Currency translation differences</i>	-	-	-	-	-	3,751	-	-	-	3,751	
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	-	3,751	-	-	-	3,751	
Net profit for the period	-	-	-	-	-	-	299,924	-	(480)	299,444	
Transfer to statutory reserve	-	-	47,472	-	-	-	(47,472)	-	-	-	
Dividend paid	-	-	-	-	-	-	(160,410)	-	-	(160,410)	
Purchase of treasury shares	-	-	-	-	-	-	-	(132,400)	-	(132,400)	
Net fair value changes in available for sale securities	-	-	-	61,883	-	-	-	-	-	61,883	
Shares in subsidiary issued to minority interest	-	-	-	-	-	-	-	-	45,000	45,000	
Closing Balance @ 31 December 2006	1,580,107	539,664	1,673,875	(17,725)	-	39,114	1,262,047	(623,425)	44,520	4,498,177	

Condensed Financial Statements
Hong Leong Bank Berhad
Unaudited Statement of Changes in Equity For The Financial Period Ended 31 December 2007

	Non-distributable					Distributable		Total RM'000	
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair value reserve RM'000	Share options Reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Profit RM'000		Treasury Shares RM'000
The Bank									
As at 1 July 2007	1,580,107	539,664	1,741,612	(9,720)	-	39,111	1,288,020	(695,111)	4,483,683
As previously stated Prior Year Adjustment	-	-	-	-	-	-	-	-	-
As at 1 July 2007, as restated	1,580,107	539,664	1,741,612	(9,720)	-	39,111	1,288,020	(695,111)	4,483,683
<i>Currency translation differences</i>	-	-	-	-	-	(3,682)	-	-	(3,682)
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	-	(3,682)	-	-	(3,682)
Net profit for the period	-	-	-	-	-	-	375,695	-	375,695
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	(160,840)	-	(160,840)
less: Purchase of Treasury Shares	-	-	-	-	-	-	-	(3,923)	(3,923)
Net fair value changes in available for sale securities	-	-	-	190	-	-	-	-	190
Options charge arising from ESOS granted	-	-	-	-	557	-	-	-	557
Closing Balance@31 December 2007	1,580,107	539,664	1,741,612	(9,530)	557	35,529	1,512,875	(699,034)	4,770,780
As at 1 July 2006									
As previously stated Prior Year Adjustment	1,580,107	539,664	1,604,855	(77,795)	-	35,363	1,144,159	(491,025)	4,335,328
As at 1 July 2006, as restated	1,580,107	539,664	1,604,855	(77,795)	-	35,363	1,144,159	(491,025)	4,335,328
<i>Currency translation differences</i>	-	-	-	-	-	3,761	-	-	(790)
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	-	3,751	-	-	3,751
Net profit for the period	-	-	-	-	-	-	273,047	-	273,047
Transfer to statutory reserve	-	-	34,367	-	-	-	(34,367)	-	-
Dividend paid	-	-	-	-	-	-	(160,410)	-	(160,410)
Purchase of treasury shares	-	-	-	-	-	-	-	(132,400)	(132,400)
Net fair value changes in available for sale securities	-	-	-	60,130	-	-	-	-	60,130
Closing Balance @31 Dec 2006	1,580,107	539,664	1,639,222	(17,665)	-	39,114	1,222,429	(623,425)	4,378,446

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Condensed Cash Flow Statement
For The Financial Quarter Ended 31 December 2007

	The Group		The Bank	
	Financial Period Ended 31/12/2007 RM'000	Financial Period Ended 31/12/2006 RM'000	Financial Period Ended 31/12/2007 RM'000	Financial Period Ended 31/12/2006 RM'000
Operating activities				
Profit before taxation	548,790	410,832	510,954	374,604
Adjustments for non-cash items	24,304	221,071	5,989	221,477
Operating profit before working capital changes	573,094	631,903	516,943	596,081
Income taxes and zakat paid	(137,774)	(128,906)	(126,810)	(119,801)
Net changes in working capital	1,968,075	(1,303,571)	1,531,349	(5,536,149)
Net cash flow from operating activities	2,403,395	(800,574)	1,921,482	(5,059,869)
Net cash flow from investing activities	272,718	(3,471,543)	252,012	906,276
Net cash flow from financing activities	(181,887)	(112,197)	(181,887)	(112,197)
Changes in cash and cash equivalents	2,494,226	(4,384,314)	1,991,607	(4,265,790)
Currency translation differences	613	299	613	299
Cash and cash equivalents at the beginning of year	15,989,916	13,565,015	14,880,849	12,294,079
Cash and cash equivalents at the end of period	18,484,755	9,181,000	16,873,069	8,028,588

HONG LEONG BANK BERHAD ("HLB" or "Bank")

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2007

1 Basis of preparation

The condensed financial statements of the Group and of the Bank 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") and 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 and should be read in conjunction with the Group's audited annual financial statements for the year ended 30 June 2007.

The accounting policies and presentation adopted by the Group and the Bank for the interim financial statements are consistent with those adopted in the financial statements for the financial year ended 30 June 2007 except for the adoption of FRS 117, 'Leases' which is effective for accounting periods beginning on or after 1 October 2006. The Group has adopted FRS 117 commencing from financial period beginning 1 July 2007. The adoption of FRS 117 has resulted in the restatement of the comparative figures as disclosed in Note 29.

2 Status of matters giving rise to the auditor's qualified report in the preceding annual financial statements for the year ended 30 June 2007

There was no qualified report issued by the auditors in the preceding annual financial statements for the year ended 30 June 2007.

3 Seasonality or cyclicity of operations

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

4 Exceptional items or unusual events affecting financial statements

There were no exceptional items or unusual events that materially affected the financial statements.

5 Variation from financial estimates reported in preceding financial period/year

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

6 Issuance and repayment of debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period ended 31 December 2007 other than as mentioned below:-

a) Share Buy-back

During the financial period ended 31 December 2007, the Bank purchased a total of 675,000 of its issued share capital from the open market. The shares purchased are being held as treasury shares in accordance with the provision of Section 67A of the Companies Act, 1965.

Details of the shares bought back for the financial period ended 31 December 2007 were as follows:

Month	No of shares bought back	Lowest price paid RM	Highest price paid RM	Average price paid RM	Total consideration (including transaction cost) RM
Jul-07	-	-	-	-	-
Aug-07	1,000	5.85	5.85	5.85	5,872
Sep-07	674,000	5.70	5.85	5.81	3,918,232
Oct-07	-	-	-	-	-
Nov-07	-	-	-	-	-
Dec-07	-	-	-	-	-
For the period	675,000	5.70	5.85	5.81	3,924,104

The total number of shares bought back, all of which were held as treasury shares as at 31 December 2007 amounted to 81,089,700 shares, at an average price per share of RM5.32. None of the treasury shares were resold or cancelled to date.

6 Issuance and repayment of debt and equity securities (Continued)

b) Purchase of shares pursuant to ESOS

A trust has been set up for the ESOS of the Bank and is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank's 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", in addition to the Treasury Shares for share buy-back, in the Shareholders' Funds on the Balance Sheet.

During the financial period ended 31 December 2007, the trust did not purchase any shares. As at 31 December 2007, the total number of Treasury Shares for ESOS was 50,000,000 at an average carrying value of RM5.35 per share.

During the period ended 31 December 2007, the Bank had granted 4,500,000 share options at an exercise price of RM5.72 per share to eligible executives of the Bank pursuant to the Executive Share Option Scheme of the Bank.

c) Subordinated Bonds

On 3 August 2005, the Bank 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.

The Bonds 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.

7 Dividends paid

A final dividend of 15.0 sen per share less income tax of 26% in respect of financial year ended 30 June 2007 amounting to RM160.8 million was paid on 21 November 2007.

8 Securities held at fair value through profit or loss

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000
Held-for-trading				
Money market instruments:				
Malaysian Government Treasury				
Bills	315,596	102,211	315,596	102,211
Malaysian Government Securities	304,540	125,232	304,540	125,232
Malaysian Government Investment Certificates	-	55,066	-	25,013
Bank Negara Malaysia (BNM)				
Bills	1,242,462	1,506,638	916,391	1,249,510
Cagamas Bonds	320,367	79,045	320,367	79,045
Bankers' Acceptance and Islamic				
Accepted bills	2,281,596	1,132,891	2,163,105	1,101,223
Negotiable Instruments of Deposit	203,045	111,395	202,679	160,067
	<u>4,667,606</u>	<u>3,112,478</u>	<u>4,222,678</u>	<u>2,842,301</u>
Quoted securities:				
Shares in Malaysia	131,774	130,619	129,776	130,360
Foreign Shares	1,930	-	1,930	-
Foreign Currency Bonds	16,960	-	16,960	-
Unquoted securities:				
Private Debt Securities	235,407	200,825	235,407	200,825
Syndicated Bond	40,465	38,619	40,465	38,619
Others designated at fair value through P&L				
Loan Stock Quoted in Malaysia	-	5,252	-	5,252
Total securities held-for-trading	<u>5,094,142</u>	<u>3,487,793</u>	<u>4,647,216</u>	<u>3,217,357</u>

9 Securities available-for-sale

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000
Money market instruments:				
Malaysian Government Investment Certificates	-	-	-	-
Other Government Securities	8,463	8,715	8,463	8,715
Malaysian Government Treasury Bills	745,766	349,600	745,766	349,600
Malaysian Government Securities	1,595,952	1,524,880	1,595,952	1,524,880
Cagamas Bonds	707,037	754,860	607,535	654,475
	<u>3,057,218</u>	<u>2,638,055</u>	<u>2,957,716</u>	<u>2,537,670</u>
Quoted Securities:				
Shares and Convertible Loan				
Stocks	3,043	9,554	3,043	5,555
Foreign Currency Bonds	295,248	63,857	295,248	63,857
Unquoted securities:				
Private Debt Securities	123,424	115,106	60,886	71,226
Total securities available-for-sale	<u><u>3,478,933</u></u>	<u><u>2,826,572</u></u>	<u><u>3,316,893</u></u>	<u><u>2,678,308</u></u>

10 Securities held-to-maturity

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000
Money market instruments:				
Malaysian Government Securities	70,941	107,353	70,941	107,353
Malaysian Government Investment Certificates	173,690	171,059	34,666	33,991
Cagamas bonds	230,365	275,033	230,365	-
Negotiable Instruments of Deposit	949,825	1,781,273	949,825	1,781,273
Khazanah Bonds	-	-	-	-
	<u>1,424,821</u>	<u>2,334,718</u>	<u>1,285,797</u>	<u>1,922,617</u>
Quoted securities:				
Foreign currency bonds	-	10,242	-	10,242
Unquoted securities:				
Shares	27,053	27,053	26,478	26,478
Private debt securities	126,337	83,108	81,084	62,972
Loan Stocks	10,670	11,700	10,670	11,700
	<u>164,060</u>	<u>121,861</u>	<u>118,232</u>	<u>101,150</u>
Total securities held-to-maturity	<u>1,588,881</u>	<u>2,466,821</u>	<u>1,404,029</u>	<u>2,034,009</u>

11 Loans, advances and financing

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000
Overdrafts	2,630,811	2,624,460	2,625,160	2,618,889
Term loans:				
- Housing loans/financing	17,982,363	16,559,484	15,784,401	14,900,084
- Syndicated term loan/financing	1,458,769	1,526,094	1,162,705	1,190,997
- Hire purchase receivables	5,901,284	5,695,681	2,988,027	2,987,444
- Lease receivables	27,713	29,374	-	-
- Other term loans/financing	1,791,804	1,721,550	1,631,554	1,545,907
Credit/charge card receivables	1,863,422	1,667,901	1,863,422	1,667,901
Bills receivables	292,191	310,842	292,191	310,842
Trust receipts	138,899	150,249	138,899	150,249
Claims on customers under acceptance credits	3,229,117	3,023,892	3,011,539	2,875,309
Block discounting	9,353	18,480	8,681	17,784
Revolving credits	627,840	783,949	627,840	783,949
Staff loans:				
Directors	-	-	-	-
Staffs other than Directors	108,587	112,345	108,531	112,259
Other loans/financing	52,114	53,354	51,259	52,178
	<u>36,114,267</u>	<u>34,277,655</u>	<u>30,294,209</u>	<u>29,213,792</u>
Unearned interest and income	(2,228,127)	(1,760,915)	(515,444)	(457,303)
Gross loans, advances and financing	<u>33,886,140</u>	<u>32,516,740</u>	<u>29,778,765</u>	<u>28,756,489</u>
Fair value changes arising from fair value hedges	15,197	32,540	6,567	16,058
Allowance for bad and doubtful debts and financing:				
- General	(502,508)	(481,746)	(441,418)	(425,782)
- Specific	(439,418)	(412,760)	(400,182)	(380,780)
Net loans, advances and financing	<u>32,959,411</u>	<u>31,654,774</u>	<u>28,943,732</u>	<u>27,965,985</u>

11 Loans, advances and financing (continued)**11a By type of customer**

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended	Financial Year Ended	Financial Period Ended	Financial Year Ended
	31/12/2007	30/06/2007	31/12/2007	30/06/2007
	RM'000	RM'000	RM'000	RM'000
Domestic banking institutions	-	320	-	320
Domestic non-bank financial institutions	120,176	159,547	78,674	115,991
Domestic business enterprises				
- Small and medium enterprises	3,457,350	3,351,870	3,147,143	3,057,918
- Others	6,672,014	6,172,934	5,988,866	5,552,248
Government and statutory bodies	46,047	91,102	46,047	91,102
Individuals	22,553,975	21,502,145	19,510,593	18,734,077
Other domestic entities	20,853	41,907	20,848	40,532
Foreign entities	1,015,725	1,196,915	986,594	1,164,301
Gross loans, advances and financing	<u>33,886,140</u>	<u>32,516,740</u>	<u>29,778,765</u>	<u>28,756,489</u>

11 Loans, advances and financing (continued)

11b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000
Fixed rate				
- Housing loans/financing	2,773,143	3,512,263	2,223,545	2,879,880
- Hire purchase receivables	5,107,729	4,942,068	2,544,105	2,546,490
- Other fixed rate loan/financing	2,913,397	2,588,420	2,636,016	2,270,764
Variable rate				
- Base lending rate plus	19,368,905	17,829,234	18,652,838	17,415,214
- Cost plus	3,658,604	3,582,814	3,657,899	3,582,200
- Other variables rates	64,362	61,941	64,362	61,941
Gross loans, advances and financing	<u>33,886,140</u>	<u>32,516,740</u>	<u>29,778,765</u>	<u>28,756,489</u>

11 Loans, advances and financing (continued)

11c By economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000
Purchase of securities	607,263	582,681	606,159	581,558
Purchase of transport vehicles	4,714,863	4,469,163	2,365,107	2,324,994
Purchase of landed properties				
- residential	12,761,744	12,136,525	11,993,460	11,482,101
- non-residential	4,153,900	3,926,088	3,992,480	3,786,768
Personal use	2,129,148	2,114,929	2,070,457	2,063,696
Credit card	1,863,422	1,667,901	1,863,422	1,667,901
Purchase of consumer durables	210	157	206	152
Construction	557,112	565,931	516,412	509,865
Working capital	7,048,878	6,961,765	6,321,522	6,247,930
Others	49,600	91,600	49,540	91,524
Gross loans, advances and financing	<u>33,886,140</u>	<u>32,516,740</u>	<u>29,778,765</u>	<u>28,756,489</u>

11 Loans, advances and financing (continued)

11d Non-performing loans by purpose

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000
Purchase of securities	19,396	21,229	18,757	20,616
Purchase of transport vehicles	89,860	86,393	56,479	53,705
Purchase of landed properties				
- residential	269,108	289,258	248,945	268,008
- non-residential	96,421	102,970	95,322	101,628
Personal use	43,260	44,580	42,923	44,435
Credit card	30,653	26,674	30,653	26,674
Purchase of consumer durables	1	154	1	154
Construction	49,471	55,039	48,787	54,294
Working capital	378,088	407,083	369,132	400,859
Others	6	-	6	-
	<u>976,264</u>	<u>1,033,380</u>	<u>911,005</u>	<u>970,373</u>

11 Loans, advances and financing (continued)

11e Movements in non-performing loans, advances and financing ("NPL") are as follows:

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended	Financial Year Ended	Financial Period Ended	Financial Year Ended
	31/12/2007	30/06/2007	31/12/2007	30/06/2007
	RM'000	RM'000	RM'000	RM'000
At beginning	1,033,380	1,381,983	970,373	1,303,964
Non-performing during the period/year	1,300,658	3,008,575	1,203,587	2,755,989
Reclassified as performing	(1,125,048)	(2,640,341)	(1,044,932)	(2,428,846)
Amount written back in respect of recoveries	(189,797)	(465,517)	(175,301)	(418,294)
Amount written off	(43,594)	(249,843)	(43,387)	(240,963)
Exchange differences	665	(1,477)	665	(1,477)
Closing balance	976,264	1,033,380	911,005	970,373
Specific allowance	(439,418)	(412,760)	(400,182)	(380,780)
Net non-performing loans, advances and financing	<u>536,846</u>	<u>620,620</u>	<u>510,823</u>	<u>589,593</u>
Net NPL as a % of gross loans, advances and financing less specific allowance	<u>1.6%</u>	<u>1.9%</u>	<u>1.7%</u>	<u>2.1%</u>

11 Loans, advances and financing (continued)

11f Movements in allowance for bad and doubtful debts (and financing) accounts are as follows:

	<u>The Group</u>		<u>The Bank</u>	
	<u>Financial Period Ended</u> 31/12/2007 RM'000	<u>Financial Year Ended</u> 30/06/2007 RM'000	<u>Financial Period Ended</u> 31/12/2007 RM'000	<u>Financial Year Ended</u> 30/06/2007 RM'000
<u>General Allowance</u>				
At beginning	481,746	436,233	425,782	376,043
Net provisions made during the year	20,566	45,805	15,440	50,031
Exchange differences	196	(292)	196	(292)
Closing balance	<u>502,508</u>	<u>481,746</u>	<u>441,418</u>	<u>425,782</u>
As a % of gross loans, advances and financing less specific allowance	<u>1.5%</u>	<u>1.5%</u>	<u>1.5%</u>	<u>1.5%</u>
<u>Specific Allowance</u>				
At beginning	412,760	473,817	380,780	444,432
Allowance made during the period/year	124,712	296,243	113,086	274,437
Amount written back in respect of recoveries	(54,848)	(106,256)	(50,687)	(95,984)
Amount written off	(43,597)	(250,137)	(43,388)	(241,198)
Amount transferred to provision for diminution in value	-	-	-	-
Exchange differences	391	(907)	391	(907)
Closing balance	<u>439,418</u>	<u>412,760</u>	<u>400,182</u>	<u>380,780</u>

12 Other assets

	<u>The Group</u>		<u>The Bank</u>	
	Financial	Financial	Financial	Financial
	Period	Year	Period	Year
	Ended	Ended	Ended	Ended
	31/12/2007	30/06/2007	31/12/2007	30/06/2007
	RM'000	RM'000	RM'000	RM'000
Interest/Income receivable	153,085	192,812	148,307	184,586
Other debtors, deposits and prepayments	394,420	494,961	501,922	624,600
Treasury clearing	52,427	-	43,282	-
Foreclosed properties	2,757	3,009	2,757	3,009
	<u>602,689</u>	<u>690,782</u>	<u>696,268</u>	<u>812,195</u>

13 Deposits from customers

	<u>The Group</u>		<u>The Bank</u>	
	Financial	Financial	Financial	Financial
	Period	Year	Period	Year
	Ended	Ended	Ended	Ended
	31/12/2007	30/06/2007	31/12/2007	30/06/2007
	RM'000	RM'000	RM'000	RM'000
<u>By type of customer</u>				
Government and statutory bodies	389,438	362,135	336,245	140,569
Business enterprises	27,040,255	24,673,743	23,107,807	22,032,474
Individuals	29,964,585	30,054,518	28,718,786	28,815,459
Others	194,152	1,629,001	167,268	884,797
	<u>57,588,430</u>	<u>56,719,397</u>	<u>52,330,106</u>	<u>51,873,299</u>

14 Deposits and placements of banks and other financial institution

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000
Licensed banks	2,473,297	3,677,870	2,198,297	3,602,870
Other financial institutions	130,000	1,435,750	-	1,435,750
	<u>2,603,297</u>	<u>5,113,620</u>	<u>2,198,297</u>	<u>5,038,620</u>

15 Other liabilities

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000
Interest/Profit payable	311,182	387,353	279,708	349,188
Zakat	42	42	-	-
Post employment benefits obligation				
- defined contribution plan	3,400	3,391	3,400	3,391
Loan advance payment	434,262	337,636	423,636	331,742
Amount due to subsidiary companies	-	-	51,132	49,914
Treasury clearing	-	481,626	-	481,626
Others	668,219	753,026	641,297	628,003
	<u>1,417,105</u>	<u>1,963,074</u>	<u>1,399,173</u>	<u>1,843,864</u>

16 Interest income

Group	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
	RM'000	RM'000	RM'000	RM'000
Loan, advances and financing				
- Interest income other than recoveries from NPLs	433,239	357,453	839,478	701,177
- Recoveries from NPLs	14,885	34,346	46,312	76,132
Money at call and deposit placements with financial institutions	186,302	182,695	392,924	312,668
Securities purchased under resale agreements	19,146	21,390	36,573	60,644
Securities held-for-trading	61,808	40,670	116,496	99,553
Securities available-for-sale	29,824	42,129	56,110	96,127
Securities held-to-maturity	8,473	27,507	17,735	34,871
Others	1,996	2,821	4,237	5,371
	<u>755,673</u>	<u>709,011</u>	<u>1,509,865</u>	<u>1,386,543</u>
Amortisation of premium less accretion of discount	1,303	(3,707)	849	(11,716)
Interest suspended	(2,859)	(1,604)	(5,113)	(4,309)
	<u>754,117</u>	<u>703,700</u>	<u>1,505,601</u>	<u>1,370,518</u>

16 Interest income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2007 RM'000	31/12/2006 RM'000	31/12/2007 RM'000	31/12/2006 RM'000
Bank				
Loan, advances and financing				
- Interest income other than recoveries from NPLs	433,144	357,455	839,219	701,130
- Recoveries from NPLs	14,885	34,345	46,312	76,125
Money at call and deposit placements with financial institutions	186,302	187,089	393,609	321,738
Securities purchased under resale agreements	19,146	21,390	36,573	60,644
Securities held-for-trading	61,810	40,670	116,709	99,553
Securities available-for-sale	29,824	42,129	56,110	96,127
Securities held-to-maturity	8,473	27,507	17,735	34,871
Others	1,996	2,820	4,237	5,371
	<u>755,580</u>	<u>713,405</u>	<u>1,510,504</u>	<u>1,395,559</u>
Amortisation of premium less accretion of discount	1,303	(3,706)	849	(11,716)
Interest suspended	(2,859)	(1,456)	(5,113)	(4,163)
	<u>754,024</u>	<u>708,243</u>	<u>1,506,240</u>	<u>1,379,680</u>

17 Interest expense

<u>Group</u>	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Deposits and placements of banks and other financial institutions	28,299	86,447	61,313	174,265
Deposits from customers	266,998	317,294	530,032	589,430
Short term corporate placements	97,945	-	203,915	-
Subordinated bonds	8,681	8,898	17,553	18,462
Others	4,912	3,203	12,983	3,203
	<u>406,835</u>	<u>415,842</u>	<u>825,796</u>	<u>785,360</u>

<u>Bank</u>	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Deposits and placements of banks and other financial institutions	28,299	90,843	61,999	183,335
Deposits from customers	268,069	317,691	531,398	589,910
Short term corporate placements	97,945	-	203,915	-
Subordinated bonds	8,681	8,898	17,553	18,462
Others	4,912	3,203	12,983	3,203
	<u>407,906</u>	<u>420,635</u>	<u>827,848</u>	<u>794,910</u>

18 Other operating income

<u>Group</u>	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
	RM'000	RM'000	RM'000	RM'000
<u>(a) Fee income:</u>				
Commissions	25,537	25,631	50,671	45,968
Service charges and fees	10,104	17,750	19,087	25,775
Guarantee fees	1,449	1,470	2,992	2,917
Other fee income	57,445	32,876	99,351	69,181
	<u>94,535</u>	<u>77,727</u>	<u>172,101</u>	<u>143,841</u>
<u>(b) Gain/loss arising from sale of securities:</u>				
Net gain from sale of securities held-for-trading and derivatives	(8,686)	(4,524)	10,811	11,201
Net gain from sale of securities available-for-sale	141	5,345	2,580	29,328
Net gain from redemption of securities held-to-maturity	-	957	2	947
	<u>(8,545)</u>	<u>1,778</u>	<u>13,393</u>	<u>41,476</u>
<u>(c) Gross dividend income from:</u>				
Subsidiary companies	-	-	-	-
Securities held at fair value through profit or loss	973	242	2,965	736
Securities available-for-sale	12	427	12	1,083
Securities held to maturity	313	324	2,653	324
	<u>1,298</u>	<u>993</u>	<u>5,630</u>	<u>2,143</u>

18 Other operating income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
	RM'000	RM'000	RM'000	RM'000
(d) <u>Net unrealised gains/(losses) on revaluation of securities held-for-trading and derivatives</u>	7,515	(5,084)	4,354	(15,812)
(e) <u>Net realised gains/(losses) on fair value changes arising from fair value hedges</u>	(6,268)	(2,330)	(15,222)	(4,318)
(f) <u>Net unrealised gains/(losses) on fair value changes arising from fair value hedges</u>	581	6,343	(5,645)	(16,907)
(g) <u>Other income:</u>				
Foreign exchange gain	39,535	35,644	51,733	47,738
Rental income	52	52	220	160
Gain on disposal of property and equipment (net)	118	-	673	407
Profit from Takaful investments	4,426	-	5,704	
Others	3,280	3,196	6,681	7,872
	<u>47,411</u>	<u>38,892</u>	<u>65,011</u>	<u>56,177</u>
Total other operating income	<u>136,527</u>	<u>118,319</u>	<u>239,622</u>	<u>206,600</u>

18 Other operating income

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
	RM'000	RM'000	RM'000	RM'000
Bank				
(a) Fee income:				
Commissions	25,537	25,631	50,670	45,967
Service charges and fees	10,104	17,750	19,087	25,775
Guarantee fees	1,449	1,470	2,992	2,917
Other fee income	57,462	32,905	99,383	69,210
	<u>94,552</u>	<u>77,756</u>	<u>172,132</u>	<u>143,869</u>
(b) Gain/loss arising from sale of securities:				
Net gain from sale of securities held-for-trading and derivatives	(8,686)	(4,524)	10,811	11,201
Net gain from sale of securities available-for-sale	141	5,345	2,580	29,328
Net gain from redemption of securities held-to-maturity	-	957	2	947
	<u>(8,545)</u>	<u>1,778</u>	<u>13,393</u>	<u>41,476</u>
(c) Gross dividend income from:				
Subsidiary companies	-	-	-	-
Securities held-for-trading	973	242	2,965	736
Securities available-for-sale	12	427	12	1,083
Securities held to maturity	313	324	2,653	324
	<u>1,298</u>	<u>993</u>	<u>5,630</u>	<u>2,143</u>

18 Other operating income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2007 RM'000	31/12/2006 RM'000	31/12/2007 RM'000	31/12/2006 RM'000
(d) <u>Net unrealised gains/(losses) on revaluation of securities held-for-trading and derivatives</u>	7,515	(5,084)	4,354	(15,812)
(e) <u>Net realised gains/(losses) on fair value changes arising from fair value hedges</u>	(6,268)	(2,330)	(15,222)	(4,318)
(f) <u>Net unrealised gains/(losses) on fair value changes arising from fair value hedges</u>	3,412	6,343	2,207	(16,907)
(g) <u>Other income:</u>				
Foreign exchange gain	39,535	35,644	51,733	47,738
Rental income	52	52	220	160
Gain on disposal of property and equipment (net)	118	-	673	407
Others	4,135	2,811	7,158	7,487
	<u>43,840</u>	<u>38,507</u>	<u>59,784</u>	<u>55,792</u>
Total other operating income	<u>135,804</u>	<u>117,963</u>	<u>242,278</u>	<u>206,243</u>

19 Other operating expenses

<u>Group</u>	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	93,231	81,304	184,763	158,967
- Others	8,418	7,559	15,895	13,438
<u>Establishment costs</u>				
- Depreciation	14,615	13,961	27,674	27,915
- Rental	10,547	9,292	21,102	18,420
- Information technology expenses	10,129	10,264	20,342	17,597
- Others	11,086	8,588	20,906	17,360
<u>Marketing expenses</u>				
- Advertisement and publicity	13,191	7,789	23,836	16,501
- Handling fees	4,165	3,554	8,084	6,851
- Others	10,599	10,746	20,656	20,437
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,734	2,400	4,918	4,539
- Stationery & printing	3,405	3,537	7,043	6,901
- Others	23,962	16,259	49,513	36,438
	<u>206,082</u>	<u>175,253</u>	<u>404,732</u>	<u>345,364</u>

19 Other operating expenses (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
	RM'000	RM'000	RM'000	RM'000
Bank				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	85,719	72,712	169,648	141,832
- Others	7,543	5,833	14,184	10,997
<u>Establishment costs</u>				
- Depreciation	14,274	13,832	27,000	27,654
- Rental	10,011	8,670	20,005	17,006
- Information technology expenses	9,748	9,646	19,544	16,271
- Others	9,589	7,055	18,199	13,254
<u>Marketing expenses</u>				
- Advertisement and publicity	13,027	7,289	23,579	14,927
- Handling fees	2,112	3,464	3,706	4,672
- Others	10,501	10,597	20,427	20,014
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,715	2,393	4,879	4,280
- Stationery & printing	3,383	3,507	6,985	6,645
- Others	21,249	16,521	45,807	35,321
	<u>189,872</u>	<u>161,519</u>	<u>373,963</u>	<u>312,873</u>

20 Allowance for losses on loans, advances and financing

<u>Group</u>	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
	RM'000	RM'000	RM'000	RM'000
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	14,837	10,573	20,565	16,042
- specific allowance	64,727	83,404	124,712	173,776
- specific allowance written back	(28,645)	(26,567)	(54,848)	(50,453)
Bad debts and financing written off	2,242	1,696	3,631	3,502
Bad debts and financing recovery	(28,110)	(19,997)	(49,524)	(40,518)
	<u>25,051</u>	<u>49,109</u>	<u>44,536</u>	<u>102,349</u>

<u>Bank</u>	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
	RM'000	RM'000	RM'000	RM'000
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	12,057	12,221	15,439	18,670
- specific allowance	58,907	77,799	113,086	160,872
- specific allowance written back	(26,751)	(24,626)	(50,687)	(40,820)
Bad debts and financing written off	2,178	1,636	3,478	3,363
Bad debts and financing recovery	(25,899)	(18,850)	(46,572)	(38,549)
	<u>20,492</u>	<u>48,180</u>	<u>34,744</u>	<u>103,536</u>

21 Capital adequacy

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended	Financial Year Ended	Financial Period Ended	Financial Year Ended
	31/12/2007	30/06/2007	31/12/2007	30/06/2007
	RM'000	RM'000	RM'000	RM'000
<u>Components of Tier-1 and Tier-2 Capital</u>				
Tier-1 capital				
Paid up share capital	1,580,107	1,580,107	1,580,107	1,580,107
Share premium	539,664	539,664	539,664	539,664
Retained profit	1,595,014	1,369,223	1,512,875	1,298,020
Other reserves	1,846,712	1,830,677	1,781,279	1,780,723
Less: Treasury shares	(699,034)	(695,111)	(699,034)	(695,111)
Less: Deferred tax	(163,899)	(164,961)	(147,372)	(149,078)
Add: Minority interest	43,938	43,655	-	-
Total tier-1 capital	4,742,502	4,503,254	4,567,519	4,354,325
Tier-2 capital				
General provision	502,508	481,746	441,418	425,782
Subordinated bonds	661,400	682,800	661,400	682,800
Total tier-2 capital	1,163,908	1,164,546	1,102,818	1,108,582
Total capital	5,906,410	5,667,800	5,670,337	5,462,907
Less: Investment in subsidiary companies	-	-	(577,041)	(577,041)
Total capital base	5,906,410	5,667,800	5,093,296	4,885,866
<u>Before deducting proposed dividends</u>				
Core Capital Ratio	13.39%	13.34%	14.60%	14.42%
Risk-weighted Capital Ratio	16.67%	16.79%	16.28%	16.17%
<u>After deducting proposed dividends</u>				
Core Capital Ratio	13.12%	12.84%	14.29%	13.86%
Risk-weighted Capital Ratio	16.40%	16.29%	15.97%	15.62%

The profit after tax of the Group and the Bank for the half year ended 31 December 2007, had been subjected to a limited review by our external auditors. As such the Group's and the Bank's profit after tax for the half year ended 31 December 2007 have been included in the capital base used in the computation of the Group's and the Bank's Capital Adequacy Ratios respectively

22 **Group segmental reporting on revenue, profit and assets**

Financial Quarter ended 31/12/2007

	Personal Financial Services RM'000	Wholesale Banking		Takaful Business RM'000	Total RM'000
		Corporate & Commercial RM'000	Treasury RM'000		
<u>By business segment</u>					
External revenue	294,351	66,707	158,572	4,591	524,221
Inter-segment revenue	84,652	14,430	(99,082)	-	-
Segment revenue	<u>379,003</u>	<u>81,137</u>	<u>59,490</u>	<u>4,591</u>	<u>524,221</u>
Segment profit before taxation	193,815	58,401	39,893	979	293,088
Taxation and zakat					(78,801)
Profit after taxation					<u>214,287</u>

Financial Period ended 31/12/2007

	Personal Financial Services RM'000	Wholesale Banking		Takaful Business RM'000	Total RM'000
		Corporate & Commercial RM'000	Treasury RM'000		
<u>By business segment</u>					
External revenue	548,625	125,346	319,227	5,869	999,067
Inter-segment revenue	151,892	26,374	(178,266)	-	-
Segment revenue	<u>700,517</u>	<u>151,720</u>	<u>140,961</u>	<u>5,869</u>	<u>999,067</u>
Segment profit before taxation	346,952	105,009	96,206	623	548,790
Taxation and zakat					(146,397)
Profit after taxation					<u>402,393</u>
Segment assets	25,920,476	7,256,897	31,963,491	225,649	65,366,513
Other assets					2,426,591
Total assets					<u>67,793,104</u>

22 Group segmental reporting on revenue, profit and assets (continued)

Corresponding Quarter Ended 31/12/2006

	Personal Financial Services RM'000	Wholesale Banking		Takaful Business RM'000	Total RM'000
		Corporate & Commercial RM'000	Treasury RM'000		
By business segment					
External revenue	189,219	79,817	167,758	-	436,794
Inter-segment revenue	125,733	(20,905)	(104,828)	-	-
Segment revenue	314,952	58,912	62,930	-	436,794
Segment profit before taxation	150,223	21,782	41,492	(1,065)	212,432
Taxation and zakat					(57,355)
Profit after taxation					155,077

Financial period ended 31/12/2006

	Personal Financial Services RM'000	Wholesale Banking		Takaful Business RM'000	Total RM'000
		Corporate & Commercial RM'000	Treasury RM'000		
By business segment					
External revenue	339,414	178,185	340,946	-	858,545
Inter-segment revenue	250,608	(40,562)	(210,046)	-	-
Segment revenue	590,022	137,623	130,900	-	858,545
Segment profit before taxation	259,733	61,415	90,749	(1,065)	410,832
Taxation and zakat					(111,388)
Profit after taxation					299,444
Segment assets	199,970,272	(170,094,991)	34,625,481	103,514	64,604,276
Unallocated assets					1,895,080
Total assets					66,499,356

23 Property, plant and equipment

The valuations of land and building had been brought forward without amendment from the previous audited annual financial statements.

24(a) Material events subsequent to the end of the reporting period

On 25 October 2007, Hong Leong Bank Berhad ("HLB") announced that it had entered into a Share Subscription Agreement with Chengdu City Commercial Bank Co., Ltd ("Chengdu Bank") to subscribe for new shares in Chengdu Bank for a total subscription price of RMB1.95 billion or approximately RM877.5 million.

On 15 January 2008, HLB announced that the China Banking Regulatory Committee had approved the application by HLB to subscribe for 650 million shares in Chengdu Bank, representing 20% of the enlarged share capital of Chengdu Bank.

(b) Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial period ended 31 December 2007 except for the following :-

On 29 June 2006, HLB announced that HLB Ventures Sdn Bhd ("HLBV"), Chew Geok Lin Nominees (Tempatan) Sendirian Berhad ("CGLN(T)") and Chew Geok Lin Nominees (Asing) Sendirian Berhad ("CGLN(A)") and Wah Tat Properties Sdn Bhd ("WTP") were placed under Member's Voluntary Liquidation pursuant to Section 254(1) of the Companies Act, 1965.

HLBV, CGLN(T) and CGLN(A) were dissolved on 9 August 2007. The liquidation of WTP is pending completion.

25 Commitments and contingencies

In the normal course of business, the Group and the Bank 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.

The commitments and contingencies constitute the following:

	Financial Period Ended 31/12/2007			Financial Year Ended 30/06/2007		
	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
The Group						
Direct credit substitutes	177,026	177,026	177,026	168,884	168,884	168,884
Transaction-related contingent items	271,257	135,629	135,629	282,088	141,043	141,043
Short-term self liquidating trade-related contingencies	671,608	134,322	134,322	606,280	121,256	121,256
Other assets sold with recourse and commitment	-	-	-	45,452	45,452	45,452
Underwriting Obligations	-	-	-			
Irrevocable commitments to extend credit:						
- maturity more than 1 year	4,660,726	2,330,364	2,330,364	4,336,920	2,168,460	2,168,460
- maturity less than 1 year	13,688,971	-	-	13,947,338	-	-
Foreign exchange related contracts	30,682,860	708,561	355,251	22,717,926	558,094	70,693
Interest rate related contracts	36,983,888	69,483	34,742	34,430,038	454,567	3,051
Equity related contracts	292,121	19,383	955	129,340	3,796	-
Miscellaneous	293	-	-	450	-	-
Total	87,428,750	3,574,768	3,168,289	76,664,716	3,661,552	2,718,839

25 Commitments and contingencies (continued)

	Financial Period Ended 31/12/2007			Financial Year Ended 30/06/2007		
	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
The Bank						
Direct credit substitutes	177,026	177,026	177,026	168,884	168,884	168,884
Transaction-related contingent items	270,708	135,354	135,354	281,719	140,859	140,859
Short-term self liquidating trade-related contingencies	669,253	133,851	133,851	599,083	119,817	119,817
Underwriting Obligations	-	-	-	-	-	-
Irrevocable commitments to extend credit:						
- maturity more than 1 year	3,886,423	1,943,212	1,943,212	4,010,990	2,005,495	2,005,495
- maturity less than 1 year	13,672,938	-	-	13,929,119	-	-
Foreign exchange related contracts	30,682,028	708,557	355,248	22,717,067	558,081	70,693
Interest rate related contracts	36,983,888	69,483	34,742	34,430,038	454,567	3,051
Equity related contracts	292,121	19,383	-	129,340	3,796	-
Miscellaneous	292	-	-	450	-	-
Total	86,634,677	3,186,866	2,779,433	76,266,690	3,451,499	2,508,799

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 a) Interest/Profit rate risk

Group As at 31 December 2007	Non-trading book					Non Interest Sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000				
Assets									
Cash and short term funds	17,852,768					631,987		18,484,755	3.8
Deposits & placement with banks & other financial institution		2,730,492						2,730,492	3.8
Securities purchased under resale agreement	1,022,997	-						1,022,997	3.5
Securities held at fair value through profit and loss							5,094,142	5,094,142	3.8
Securities available-for-sale	99,518	144,844	1,726,839	1,456,705	40,000	11,026	-	3,478,933	4.3
Securities held-to-maturity	109,298	1,113,015	260,907	88,525	-	17,136		1,588,881	4.0
Loans, advances and financing									
- performing	22,742,821	577,720	2,747,800	4,090,140	2,753,539	(481,402)		32,430,618	6.4
- non-performing						528,793		528,793	
Other assets						602,689		602,689	
Statutory deposits with BNM						1,219,739		1,219,739	
Investment in subsidiary						-		-	
Prepaid land lease payments						6,805		6,805	
Property, plant and equipment						281,068		281,068	
Intangible assets						33,743		33,743	
Deferred tax assets						163,899		163,899	
General and Family Takaful fund assets						125,550		125,550	
Total assets	41,827,403	4,566,071	4,735,545	5,635,371	2,793,539	3,141,034	5,094,142	67,793,104	
Liabilities									
Deposits & customers	31,414,155	6,134,750	13,239,694	1,344,615	-	5,455,216	-	57,588,430	3.0
Deposits & placement of banks & other financial institutions	1,817,946	715,441	68,814	-		1,096		2,603,297	3.5
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-		-	-
Bills and acceptance payable	775	7,685	6,648	-	-	383,434		398,542	3.6
Other liabilities						1,417,105		1,417,105	-
Subordinated obligations				676,034				676,034	5.2
Short term syndicated loan								-	
Provision for taxation						91,585		91,585	
General and Family Takaful fund liabilities						17,596		17,596	
General and Family Takaful fund policyholders' fund						107,954		107,954	
Total liabilities	33,232,876	6,857,876	13,315,156	2,020,649	-	7,473,986	-	62,900,543	
Shareholders funds						4,892,561	-	4,892,561	
Total liabilities and Shareholders' funds	33,232,876	6,857,876	13,315,156	2,020,649	-	12,366,547	-	67,793,104	
On-balance sheet profit sensitivity gap	8,594,527	(2,291,805)	(8,579,611)	3,614,722	2,793,539				
Off-balance sheet profit sensitivity gap	(1,746,225)	1,422,508	103,643	(278,878)	198,953				
Total profit sensitivity gap	6,848,302	(869,297)	(8,475,968)	3,335,844	2,992,492				

27 b) Interest/Profit rate risk

Group As at 30 June 2007	Non-trading book					Non Interest Sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000				
Assets									
Cash and short term funds	15,628,461	-	-	-	-	361,455	-	15,989,916	3.6
Deposits & placement with banks & other financial institution		6,597,697	2,549,461					9,147,158	3.6
Securities purchased under resale agreement	2,366,332	1,128,977						3,495,309	3.5
Securities held at fair value through profit and loss							3,487,793	3,487,793	4.0
Securities available-for-sale	121,182	302,279	159,573	2,133,412	99,003	11,123		2,826,572	4.3
Securities held-to-maturity	1,140,242	876,306	340,604	70,916		38,753		2,466,821	3.8
Loans, advances and financing									
- performing	23,192,470	381,157	1,783,313	3,746,824	2,395,496	(455,921)		31,043,339	6.6
- non-performing						611,435		611,435	
Other assets						690,782		690,782	
Statutory deposits with BNM						1,206,939		1,206,939	
Investment in subsidiary								-	
Prepaid land lease payments						6,815		6,815	
Property, plant and equipment						245,554		245,554	
Intangible assets						33,823		33,823	
Deferred tax assets						164,961		164,961	
General and Family Takaful fund assets						6,522		6,522	
Total assets	42,448,687	9,286,416	4,832,951	5,951,152	2,494,499	2,922,241	3,487,793	71,423,739	
Liabilities									
Deposits from customers	30,279,180	8,153,411	13,031,987	518,465	-	4,736,354	-	56,719,397	3.0
Deposits & placement of banks & other financial institutions	4,289,046	755,524	68,820	-	-	230	-	5,113,620	3.5
Obligations on securities sold under repurchase agreements	1,087,015	42,506						1,129,521	3.6
Bills and acceptance payable	57,423	45,905	6,727	117	-	456,079		566,251	3.6
Short Term Corporate Placements								-	
Other liabilities						1,963,074		1,963,074	-
Subordinated obligations				671,657		-		671,657	5.2
Short term syndicated loan			509,850			-		509,850	5.1
Provision for taxation						85,140		85,140	
General and Family Takaful fund liabilities						928		928	
General and Family Takaful fund policyholders' fund						5,594		5,594	
Total liabilities	35,712,664	8,997,346	13,617,384	1,190,239	-	7,247,399	-	66,765,032	
Shareholders funds						4,658,707	-	4,658,707	
Minority interest							-	-	
Total liabilities and Shareholders' funds	35,712,664	8,997,346	13,617,384	1,190,239	-	11,906,106	-	71,423,739	
On-balance sheet profit sensitivity gap	6,736,023	289,070	(8,784,433)	4,760,913	2,494,499				
Off-balance sheet profit sensitivity gap	(70,000)	(2,379,668)	(4,820,000)	(5,901,100)	50,000				
Total profit sensitivity gap	6,666,023	(2,090,597)	(13,604,433)	(1,140,187)	2,544,499				

27 c) Interest/Profit rate risk

Bank As at 31 December 2007	Non-trading book					Non Interest Sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000				
Assets									
Cash and short term funds	16,241,281					631,788		16,873,069	3.8
Deposits & placement with banks & other financial instrument		2,730,492						2,730,492	3.8
Securities purchased under resale agreement	1,022,997							1,022,997	3.5
Securities held at fair value through profit and loss							4,647,216	4,647,216	3.9
Securities available-for-sale	99,518	144,844	1,629,488	1,392,016	40,000	11,026		3,316,893	4.3
Securities held-to-maturity	109,298	1,113,015	136,677	28,478	-	16,561		1,404,029	4.0
Loans, advances and financing									
- performing	22,722,118	348,431	2,447,710	2,243,892	1,099,189	(420,768)		28,440,572	6.5
- non-performing						503,161		503,161	
Other assets						696,268		696,268	
Statutory deposits with BNM						1,074,925		1,074,925	
Investment in subsidiary						577,041		577,041	
Prepaid land lease payments						5,914		5,914	
Property, plant and equipment						263,000		263,000	
Intangible assets						33,743		33,743	
Deferred tax assets						147,372		147,372	
Total assets	40,195,213	4,336,782	4,213,874	3,664,387	1,139,189	3,540,031	4,647,216	61,736,691	
Liabilities									
Deposits from customers	28,177,114	5,195,917	12,452,418	1,049,441	-	5,455,216	-	52,330,106	2.9
Deposits & placement of banks & other financial institutions	1,412,946	715,441	68,814	-	-	1,096		2,198,297	3.8
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-		-	3.6
Bills and acceptance payable	775	7,685	6,648	-	-	372,019		387,127	3.8
Other liabilities						1,399,173		1,399,173	
Subordinated obligations				676,034				676,034	5.2
Short term syndicated loan								-	-
Provision for taxation						44,174		44,174	
General and Family Takaful fund liabilities								-	-
General and Family Takaful fund policyholders' fund								-	-
Total liabilities	29,590,835	5,919,043	12,527,880	1,725,475	-	7,271,678	-	57,034,911	
Shareholders funds						4,701,780		4,701,780	
Total liabilities and Shareholders' funds	29,590,835	5,919,043	12,527,880	1,725,475	-	11,973,458	-	61,736,691	
On-balance sheet profit sensitivity gap	10,604,378	(1,582,261)	(8,314,006)	1,938,912	1,139,189				
Off-balance sheet profit sensitivity gap	(1,746,225)	1,422,508	103,643	(278,878)	198,953				
Total profit sensitivity gap	8,858,153	(159,753)	(8,210,363)	1,660,034	1,338,142				

27 d) Interest/Profit rate risk

Bank As at 30 June 2007	Non-trading book					Non Interest Sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000				
Assets									
Cash and short term funds	14,527,000					353,849		14,880,849	3.6
Deposits & placement with banks & other financial instrument		6,497,697	2,549,461					9,047,158	3.6
Securities purchased under resale agreement	2,366,332	1,128,977						3,495,309	3.5
Securities held at fair value through profit and loss							3,217,357	3,217,357	4.0
Securities available-for-sale	121,182	302,279	144,325	2,047,916	51,483	11,123		2,678,308	4.4
Securities held-to-maturity	1,140,242	601,273	218,391	35,925		38,178		2,034,009	3.8
Loans, advances and financing									
- performing	22,515,294	345,259	1,628,970	2,223,467	1,089,184	(416,938)		27,385,236	6.7
- non-performing						580,749		580,749	
Other assets						812,195		812,195	
Statutory deposits with BNM						1,036,625		1,036,625	
Investment in subsidiary						577,041		577,041	
Prepaid land lease payments						5,923		5,923	
Property, plant and equipment						229,390		229,390	
Intangible assets						32,171		32,171	
Deferred tax assets						149,078		149,078	
Total assets	40,670,050	8,875,485	4,541,147	4,307,308	1,140,667	3,409,384	3,217,357	66,161,398	
Liabilities									
Deposits from customers	27,362,555	7,175,119	12,262,800	336,471	-	4,736,354	-	51,873,299	2.9
Deposits & placement of banks & other financial institutions	4,289,046	680,524	68,820	-	-	230	-	5,038,620	3.8
Obligations on securities sold under repurchase agreements	1,087,015	42,506						1,129,521	3.6
Bills and acceptance payable	55,104	45,159	6,727	5	-	455,500		562,495	3.8
Short Term Corporate Placements									
Other liabilities						1,843,864		1,843,864	
Subordinated obligations				671,657				671,657	5.2
Short term syndicated loan			509,850					509,850	5.1
Provision for taxation						38,409		38,409	
General and Family Takaful fund liabilities									
General and Family Takaful fund policyholders' fund									
Total liabilities	32,793,720	7,943,308	12,848,197	1,008,133	-	7,074,357	-	61,667,715	
Shareholders funds						4,493,683		4,493,683	
Total liabilities and Shareholders' funds	32,793,720	7,943,308	12,848,197	1,008,133	-	11,568,040	-	66,161,398	
On-balance sheet profit sensitivity gap	7,876,330	932,177	(8,307,050)	3,299,175	1,140,667				
Off-balance sheet profit sensitivity gap	(70,000)	(2,379,668)	(4,820,000)	(5,901,100)	50,000				
Total profit sensitivity gap	7,806,330	(1,447,490)	(13,127,050)	(2,601,925)	1,190,667				

28 Operations of Islamic Banking

28a Unaudited Balance Sheet as at 31 December 2007

	<u>The Group</u>	
	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000
ASSETS		
Cash and short-term funds	1,606,951	1,355,818
Deposits and placements with bank and other financial institutions	-	100,000
Securities - Held-for-trading	493,599	318,848
Securities - Available-for-trading	134,943	136,210
Securities - Held-to-maturity	184,852	432,812
Financing, advances and other financing	4,007,216	3,672,900
Other assets	90,805	19,875
Statutory deposits with Bank Negara Malaysia	144,814	170,314
Property, plant and equipment	2,295	1,630
Deferred tax assets	16,527	15,883
Total Assets	<u>6,682,002</u>	<u>6,224,290</u>
<u>LIABILITIES AND SHAREHOLDERS' FUNDS</u>		
Deposits from customers	5,393,202	5,250,725
Deposits and placements of banks and other financial institutions	405,000	75,000
Obligations on securities sold under purchase agreements	-	-
Bills and acceptance payable	11,415	3,756
Other liabilities	239,051	292,119
Provision for taxation	3,094	2,555
Total Liabilities	<u>6,051,762</u>	<u>5,624,155</u>
Islamic banking capital fund	500,000	500,000
Reserves	130,240	100,135
Islamic Banking Funds	<u>630,240</u>	<u>600,135</u>
Total Liabilities and Islamic Banking Funds	<u>6,682,002</u>	<u>6,224,290</u>
COMMITMENTS AND CONTINGENCIES	<u>794,072</u>	<u>398,025</u>

Note: The Bank does not have any Islamic business since 1 July 2005 after vesting of the Islamic business to HLIB on the same date.

28 **Operations of Islamic Banking** (continued)

28b Unaudited Income Statements for the 2nd Quarter and Cumulative 6 Months Ended 31 December 2007

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
	RM'000	RM'000	RM'000	RM'000
Group				
Income derive from investment of deposits' funds and others	71,557	75,454	143,217	152,255
Income derive from investment of shareholders' funds	7,951	7,233	15,914	14,820
Allowance for losses on financing	(6,229)	(1,027)	(11,736)	539
Provision for commitments and contingencies	-	-	-	-
Impairment loss	-	-	-	-
Profit equalisation reserve	(249)	(5,611)	794	(4,611)
Other expenses directly attributable to the investment of the deposits and shareholders' funds				
Total distributable income	73,030	76,049	148,189	163,003
Income attributable to deposits	(38,850)	(46,457)	(80,286)	(95,674)
Total net income	34,180	29,592	67,903	67,329
Other operating expenses	(12,967)	(12,551)	(26,059)	(31,400)
Profit before taxation and zakat	21,213	17,041	41,844	35,929
Zakat	-	(9)	-	(18)
Taxation	(5,482)	(4,601)	(10,887)	(9,701)
Profit after taxation and zakat	15,731	12,431	30,957	26,210
Profit attributable to shareholders	15,731	12,431	30,957	26,210
Earning per share - basic (sen)	3.15	2.49	6.19	5.24
Earning per share - fully diluted (sen)	3.15	2.49	6.19	5.24

Note: The Bank does not have any Islamic business since 1 July 2005 after vesting of the Islamic business to HLIB on the same date.

28 Operations of Islamic Banking (continued)

28c Financing, advances and other financing

(i) By type

	<u>The Group</u>	
	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000
Cash line	7,224	7,457
Term financing		
- Housing financing	2,197,962	1,659,400
- Hire purchase receivable	2,913,257	2,708,237
- Lease receivable	24,391	25,976
- Other term financing	456,314	510,740
Claims on customers under acceptance credit	217,578	148,583
Staff financing	56	86
Revolving credit	672	696
Others	856	1,176
	<u>5,818,310</u>	<u>5,062,351</u>
Less: Unearned income	(1,712,673)	(1,303,602)
	<u>4,105,637</u>	<u>3,758,749</u>
Less: Allowance for bad and doubtful financing		
- General	(61,058)	(55,932)
- Specific	(37,363)	(29,917)
Total net financing, advances and other financing	<u>4,007,216</u>	<u>3,672,900</u>

(ii) By contract

	<u>The Group</u>	
	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000
Bai' Bithaman Ajil (deferred payment sale)	1,286,510	1,020,885
Ijarah (lease)	22,616	24,086
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,578,933	2,407,069
Murabahah (cost-plus)	217,578	306,709
	<u>4,105,637</u>	<u>3,758,749</u>

28 **Operations of Islamic Banking (continued)**

28c Financing, advances and other financing (continued)

Non-performing financing

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

	<u>The Group</u>	
	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000
At beginning	61,070	75,637
Classified as non-performing during the period	97,064	252,574
Reclassified as performing	(80,116)	(211,495)
Amount recovered	(14,442)	(46,766)
Amount written off	(191)	(8,880)
At end	<u>63,385</u>	<u>61,070</u>
Net non-performing financing, advances and other financing	<u>26,022</u>	<u>31,153</u>
Ratio of net non-performing financing, advances and other financing to total net financing, advances and other financing	<u>0.6%</u>	<u>0.8%</u>

28 **Operations of Islamic Banking (continued)**

28c Financing, advances and other financing (continued)

(ii) Movements in allowance for bad and doubtful financing

	<u>The Group</u>	
	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000
General allowance		
At beginning	55,932	60,158
Allowance made / (written back)	5,126	(4,226)
At end	<u>61,058</u>	<u>55,932</u>
As % of gross financing, advances and other financing less specific allowance	<u>1.5%</u>	<u>1.5%</u>
Specific allowance		
At beginning	29,917	26,908
Allowance made / (written back)	11,614	21,795
Amount recovered	(3,977)	(9,848)
Amount written off	(191)	(8,938)
At end	<u>37,363</u>	<u>29,917</u>

28 **Operations of Islamic Banking (continued)**

28d Deposits from customer

By type of deposit

	<u>The Group</u>	
	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000
Non-Mudharabah		
Demand deposits	310,090	299,018
Saving deposits	535,870	522,418
Negotiable Islamic Debt Certificate	296,344	198,077
Others	-	-
	<u>1,142,304</u>	<u>1,019,513</u>
Mudharabah		
Demand deposits	-	-
Saving deposits	451,406	423,792
General investment deposits	1,503,386	2,002,058
Specific investment deposits	2,296,106	1,805,362
Others	-	-
	<u>4,250,898</u>	<u>4,231,212</u>
	<u>5,393,202</u>	<u>5,250,725</u>

29 Change in accounting policies and prior year adjustments

During the financial period ended 31 December 2007, the Group have adopted the new and revised FRSs issued by MASB that are applicable with effect from 1 July 2007 which resulted in changes in accounting policies as follows:

(i) FRS 117: Leases

Prior to 1 July 2007, lease of land and buildings held for own use was classified as property and equipment and was stated at cost less accumulated depreciation and impairment loss. The adoption of the revised FRS 117 Leases in 2007 resulted in the accounting policy relating to the classification of leases of land and buildings. Under FRS 117, lease of land and buildings are classified as operating and finance leases in the same way as leases of other assets. The land and building elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease. The up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and the building element of the lease at the inception of the lease. The up-front payment represent prepaid land lease payment and is amortised on a straight-line basis over the remaining lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 July 2007, the unamortised carrying amount of leasehold land is classified as prepaid land lease payments. The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively. There were no effects on the income statements of the Group for the 1st quarter ended 30 September 2007.

(ii) The following comparative figures have been restated for the effects of adopting the above changes in accounting policies to conform with the current period's presentation:

	The Group		The Bank	
	As restated RM'000	As previously reported RM'000	As restated RM'000	As previously reported RM'000
Balance Sheet as at 30 June 2007				
Prepaid land lease payments	6,815	-	5,923	
Property and equipment	245,554	252,369	229,390	235,313

HONG LEONG BANK BERHAD ("HLB" or "Bank")
ADDITIONAL INFORMATION REQUIRED BY THE LISTING
REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD

1 Review of performance

Current quarter against previous corresponding quarter

The Group recorded a pre-tax profit of RM293.1 million for the current financial quarter ended 31 December 2007, an increase of RM80.7 million as compared to previous corresponding quarter. The increase in profitability was due to higher net income which increased by RM87.4 million coupled with lower loan loss provision.

Financial year-to-date against previous financial year-to-date

The Group pre-tax profit for the six months ended 31 December 2007 stood at RM548.8 million, an increase of RM138.0 million as compared to RM410.8 million in the previous corresponding period. Net income increased by RM140.5 million or 16%, which was spurred by the increase in net interest income of RM94.6 million.

2 Review of performance of current quarter against preceding quarter

For the current financial quarter, the Group recorded a pre-tax profit of RM293.1 million as compared to RM255.7 million in the preceding quarter, an increase of RM37.4 million.

3 Current year prospect

The Group will continue to build on the growth prospects in both traditional and newer, fast growing segments such as wealth management and Islamic financial services. The Group has a comprehensive network of branches and business centres throughout the country, and are investing in our franchise overseas. Barring unforeseen circumstances, the Group is optimistic of creating a better value for shareholders and stakeholders in the current financial year.

4 Variance in profit forecast and shortfall in profit guarantee

This note is not applicable to the Group.

5 Taxation

	Current Quarter Ended 31/12/2007 RM'000	Corresponding Quarter Ended 31/12/2006 RM'000	Financial Period Ended 31/12/2007 RM'000	Financial Period Ended 31/12/2006 RM'000
The Group				
Malaysian income tax	76,292	60,225	145,428	119,370
Oversea tax	-	-	-	-
	76,292	60,225	145,428	119,370
Transfer from/(to) deferred taxation	2,509	(2,879)	969	(8,000)
	78,801	57,346	146,397	111,370

5 **Taxation (continued)**

	Current Quarter Ended 31/12/2007 RM'000	Corresponding Quarter Ended 31/12/2006 RM'000	Financial Period Ended 31/12/2007 RM'000	Financial Period Ended 31/12/2006 RM'000
The Bank				
Malaysian income tax	70,830	55,944	133,792	110,266
Oversea tax	-	-	-	-
	<u>70,830</u>	<u>55,944</u>	<u>133,792</u>	<u>110,266</u>
Transfer from/(to) deferred taxation	2,397	(3,323)	1,467	(8,709)
	<u>73,227</u>	<u>52,621</u>	<u>135,259</u>	<u>101,557</u>

The Group's and the Bank's effective tax rate is higher than the statutory tax rate due to deferred tax expense charged arising from the change in the Malaysian corporate tax rate for the year of assessment 2009 from 26% to 25%.

6 **Profit on sale of unquoted investments/properties**

There were no material gains or losses on disposal of unquoted investments (other than in the ordinary course of business) and/or properties for the financial period under review.

7 **Purchase and disposal of quoted securities**

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

8 **Status of corporate proposals**

On 25 October 2007, Hong Leong Bank Berhad ("HLB") announced that it had entered into a Share Subscription Agreement with Chengdu City Commercial Bank Co., Ltd ("Chengdu Bank") to subscribe for new shares in Chengdu Bank for a total subscription price of RMB1.95 billion or approximately RM877.5 million.

On 15 January 2008, HLB announced that the China Banking Regulatory Committee had approved the application by HLB to subscribe for 650 million shares in Chengdu Bank, representing 20% of the enlarged share capital of Chengdu Bank.

9 **Group borrowings**

This note is not applicable to the Group because there are no borrowings.

10 Deposits and debt securities

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000
Deposits from customers				
Fixed deposits	31,142,503	29,286,082	27,414,614	25,820,415
Negotiable instruments of deposit	2,937,256	3,247,184	2,689,583	3,097,778
Demand deposits	5,750,702	5,021,169	5,455,216	4,736,354
Saving deposits	7,209,035	7,117,265	6,221,759	6,171,055
Short term corporate placement	10,369,890	11,836,509	10,369,890	11,836,509
Other	179,044	211,188	179,044	211,188
	<u>57,588,430</u>	<u>56,719,397</u>	<u>52,330,106</u>	<u>51,873,299</u>

The maturity structure of fixed
deposits and negotiable
instruments:

One year or less (short term)	32,931,389	31,700,881	29,054,756	28,175,737
More than one year (medium/long term)	1,148,370	832,385	1,049,441	742,456
	<u>34,079,759</u>	<u>32,533,266</u>	<u>30,104,197</u>	<u>28,918,193</u>

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000
Deposits and placements of banks and other financial institutions				
Licensed banks	2,473,297	3,677,870	2,198,297	3,602,870
Other financial institutions	130,000	1,435,750	-	1,435,750
	<u>2,603,297</u>	<u>5,113,620</u>	<u>2,198,297</u>	<u>5,038,620</u>

The maturity structure of
deposits and placements of
banks and other financial
institutions:

One year or less (short term)	2,603,297	5,113,620	2,198,297	5,038,620
More than one year (medium/long term)	-	-	-	-
	<u>2,603,297</u>	<u>5,113,620</u>	<u>2,198,297</u>	<u>5,038,620</u>

11 Subordinated bonds

The Group and The Bank

	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000
Subordinated bonds		
- USD200 million	<u>676,034</u>	<u>671,657</u>

On 3 August 2005, the Bank 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.

The Bonds 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.

12 Syndicated loan facility

The Group and The Bank

	Financial Period Ended 31/12/2007 RM'000	Financial Year Ended 30/06/2007 RM'000
Syndicated loan facility		
- USD150 million	<u>-</u>	<u>509,850</u>

The Syndicated Transferable Short Term Loan Facility ("the Facility") of USD150 million has matured on 21 November 2007

13 Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 December 2007:

The Group

Items	Principal Amount	1 mth or less	>1 - 3 Mths	>3 - 6 Mths	>6 - 12 Mths	>1 - 5 Years	> 5 years
RM'000							
Foreign exchange related contracts							
- forwards	3,666,041	2,414,678	807,449	261,249	181,575	1,091	
- swaps	24,690,318	10,698,071	5,888,124	4,841,063	1,492,165	1,483,305	287,591
- options	2,326,501	1,434,261	491,813	194,805	106,421	99,200	
Interest rate related contracts							
- forwards	-	-	-	-	-	-	-
- futures	14,756,640	1,246,014	2,285,000	2,025,063	2,931,781	6,268,783	
- swaps	22,227,247	7,303,565	12,362,062	170,000	579,920	1,779,500	32,200
Total	67,666,748	23,096,589	21,834,447	7,492,179	5,291,863	9,631,878	319,791

The Bank

Items	Principal Amount	1 mth or less	>1 - 3 Mths	>3 - 6 Mths	>6 - 12 Mths	>1 - 5 Years	> 5 years
RM'000							
Foreign exchange related contracts							
- forwards	3,665,209	2,413,846	807,449	261,249	181,575	1,091	
- swaps	24,690,318	10,698,071	5,888,124	4,841,063	1,492,165	1,483,305	287,591
- options	2,326,501	1,434,261	491,813	194,805	106,421	99,200	
Interest rate related contracts							
- forwards	-	-	-	-	-	-	-
- futures	14,756,640	1,246,014	2,285,000	2,025,063	2,931,781	6,268,783	
- swaps	22,227,247	7,303,565	12,362,062	170,000	579,920	1,779,500	32,200
Total	67,665,916	23,095,757	21,834,447	7,492,179	5,291,863	9,631,878	319,791

13 Off-balance sheet financial instruments (continued)

Foreign exchange, interest rate, equity and commodity related contracts are subject to market risk and credit risk.

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the 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 period, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM757,572,784 (FYE June 2007: RM492,598,221) and RM14,852,012,255 (FYE June 2007: RM20,343,653,750) 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 period, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM116,363,757 (FYE June 2007: RM133,572,118). 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

Derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from a change in the fair value of the derivatives is recognised in the income statements unless they are part of a hedging relationship which qualifies for hedge accounting where the gain or loss is recognised as follows:

Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

Cash flow hedge

Gains and losses on the hedging instrument, to the extent that the hedge is effective, are deferred in the separate component of equity. The ineffective part of any gain or loss is recognised in the income statement. The deferred gains and losses are then released to the income statement in the periods when the hedged items affects the income statement.

14 Material litigation

The Group does not have any material litigation which, in the opinion of the Directors, would have a material adverse impact on the financial results of the Group.

15 Dividend

An interim dividend of 9.0 sen per share less income tax of 26% has been proposed for the current quarter.

- (i) Amount per share: 9.0 sen (less 26% taxation).
- (ii) Previous corresponding quarter: 9.0 sen per share (less 27% taxation).
- (iii) Entitlement date: 3 March 2008
- (iv) Payment date: 18 March 2008

16 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 (excluding treasury shares) in issue during the period.

	Current Quarter Ended 30/09/2007 RM'000	Corresponding Quarter Ended 31/12/2006 RM'000	Financial Period Ended 31/12/2007 RM'000	Financial Period Ended 31/12/2006 RM'000
<u>The Group</u>				
Net profit attributable to shareholders of the company	213,844	155,557	402,110	299,924
Weighted average number of ordinary shares in issue ('000)	1,580,107	1,580,107	1,580,107	1,580,107
Less: Treasury shares held	(130,812)	(116,845)	(130,812)	(110,897)
	<u>1,449,295</u>	<u>1,463,262</u>	<u>1,449,295</u>	<u>1,469,210</u>
Basic earnings per share (sen)	14.8	10.6	27.7	20.4
<u>The Bank</u>				
Net profit attributable to shareholders of the company	198,331	143,251	375,695	273,047
Weighted average number of ordinary shares in issue ('000)	1,580,107	1,580,107	1,580,107	1,580,107
Less: Treasury shares held	(130,812)	(116,845)	(130,812)	(110,897)
	<u>1,449,295</u>	<u>1,463,262</u>	<u>1,449,295</u>	<u>1,469,210</u>
Basic earnings per share (sen)	13.7	9.8	25.9	18.6

16 Earnings per share (continued)

b) Fully diluted earnings per share

For the fully diluted earnings per share, the weighted average number of ordinary shares in issue (excluding treasury shares) is adjusted to assume conversion of all ESOS options into ordinary shares.

	Current Quarter Ended 30/09/2007 RM'000	Corresponding Quarter Ended 31/12/2006 RM'000	Financial Period Ended 31/12/2007 RM'000	Financial Period Ended 31/12/2006 RM'000
<u>The Group</u>				
Net profit attributable to shareholders of the company	213,844	155,557	402,110	299,924
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the year	1,449,295	1,463,262	1,449,295	1,469,210
- adjustment for ESOS	-	-	-	-
	<u>1,449,295</u>	<u>1,463,262</u>	<u>1,449,295</u>	<u>1,469,210</u>
Fully diluted earnings per share (sen)	14.8	10.6	27.7	20.4
<u>The Bank</u>				
Net profit attributable to shareholders of the company	198,331	143,251	375,695	273,047
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the year	1,449,295	1,463,262	1,449,295	1,469,210
- adjustment for ESOS	-	-	-	-
	<u>1,449,295</u>	<u>1,463,262</u>	<u>1,449,295</u>	<u>1,469,210</u>
Fully diluted earnings per share (sen)	13.7	9.8	25.9	18.6