

Condensed Financial Statements

Audited Balance Sheet As At 30 June 2008

	The Group		The Bank	
	Financial Year Ended 30/06/2008	Financial Year Ended 30/06/2007	Financial Year Ended 30/06/2008	Financial Year Ended 30/06/2007
Note	RM'000	RM'000	RM'000	RM'000
ASSETS				
Cash and short-term funds	22,264,674	15,989,916	20,392,853	14,880,849
Deposits and placements with financial institutions	2,137,640	9,147,158	2,137,640	9,047,158
Securities purchased under resale agreements	972,742	3,495,309	972,742	3,495,309
Securities held at fair value through profit and loss	8 4,856,645	3,487,793	3,976,030	3,217,357
Securities available-for-sale	9 5,829,084	2,826,572	5,004,554	2,678,308
Securities held-to-maturity	10 3,002,401	2,466,821	2,875,444	2,034,009
Loans, advances and financing	11 34,534,024	31,654,774	30,306,207	27,965,985
Other assets	12 1,881,660	690,782	2,098,308	812,195
Statutory deposits with Bank Negara Malaysia	1,315,464	1,206,939	1,170,500	1,036,625
Investment in subsidiary companies	-	-	592,041	577,041
Prepaid land lease payments	6,286	6,815	5,403	5,923
Property, plant and equipment	290,301	245,554	274,222	229,390
Intangible assets	33,262	33,823	31,509	32,171
Deferred tax assets	173,153	164,961	155,303	149,078
General and Family Takaful fund assets	163,869	6,522	-	-
Total Assets	77,461,205	71,423,739	69,992,756	66,161,398
LIABILITIES AND SHAREHOLDERS' FUNDS				
Deposits from customers	13 62,547,947	56,719,397	56,466,660	51,873,299
Deposits and placements of banks and other financial institutions	14 6,372,576	5,113,620	5,593,576	5,038,620
Obligations on securities sold under repurchase agreements	-	1,129,521	-	1,129,521
Bills and acceptance payable	411,183	566,251	300,703	562,495
Other liabilities	15 2,090,609	1,963,074	2,010,521	1,843,864
Subordinated Bonds	671,750	671,657	671,750	671,657
Syndicated loan facility	-	509,850	-	509,850
Provision for taxation	70,033	85,140	26,413	38,409
General and Family Takaful fund liabilities	3,232	928	-	-
General and Family Takaful policyholders' fund	160,637	5,594	-	-
Total Liabilities	72,327,967	66,765,032	65,069,623	61,667,715
Share Capital	1,580,107	1,580,107	1,580,107	1,580,107
Reserves	4,208,474	3,730,056	4,042,067	3,608,687
Less: Treasury Shares	(699,041)	(695,111)	(699,041)	(695,111)
Total Shareholders' Equity	5,089,540	4,615,052	4,923,133	4,493,683
Minority interest	43,698	43,655	-	-
Total Equity	5,133,238	4,658,707	4,923,133	4,493,683
Total Liabilities and Equity	77,461,205	71,423,739	69,992,756	66,161,398
COMMITMENTS AND CONTINGENCIES	25 81,641,545	76,619,264	80,675,167	76,266,690
CAPITAL ADEQUACY				
Before deducting proposed dividends				
Core capital ratio	21 13.30%	13.34%	14.29%	14.42%
Risk-weighted capital ratio	21 16.36%	16.79%	15.76%	16.17%
After deducting proposed dividends				
Core capital ratio	21 12.84%	12.84%	13.78%	13.86%
Risk-weighted capital ratio	21 15.91%	16.29%	15.25%	15.62%
Net asset per share attributable to ordinary equity holders of the parent (RM) *	3.51	3.18	3.40	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 Audited Income Statement For The Financial Quarter Ended 30 June 2008

The Group

	Note	Current Quarter Ended 30/06/2008 RM'000	Corresponding Quarter Ended 30/06/2007 RM'000	Current Year Ended 30/06/2008 RM'000	Corresponding Year Ended 30/06/2007 RM'000
Interest income	16	791,006	753,343	3,064,105	2,864,161
Interest expense	17	(439,321)	(467,680)	(1,684,946)	(1,695,037)
Net interest income		351,685	285,663	1,379,159	1,169,124
Net income from Islamic Banking business		40,210	40,671	160,044	143,827
Other operating income	18	94,480	133,408	479,137	455,239
Net Income		486,375	459,742	2,018,340	1,768,190
Other operating expenses	19	(229,762)	(209,636)	(848,762)	(748,017)
Operating profit before provision Allowance for losses on loans, advances and financing	20	256,613	250,106	1,169,578	1,020,173
Impairment loss - securities		-	(1,825)	(1,009)	(1,825)
Profit before taxation (and zakat)		184,312	241,704	1,010,042	856,598
Taxation		(50,247)	(69,752)	(268,181)	(237,114)
Zakat		-	(5)	-	(35)
Net profit for the period		134,065	171,947	741,861	619,449
Attributable to:					
Equity holders of the parent		133,987	172,407	741,818	620,794
Minority Interest		78	(460)	43	(1,345)
Net profit for the period		134,065	171,947	741,861	619,449
Earnings per share - basic (sen)		9.2	11.8	51.2	42.4
Earnings per share - fully diluted (sen)		9.2	11.8	51.2	42.4

Hong Leong Bank Berhad

**Condensed Financial Statements
Audited Income Statement
For The Financial Quarter Ended 30 June 2008**

The Bank					
	Note	Current Quarter Ended 30/06/2008 RM'000	Corresponding Quarter Ended 30/06/2007 RM'000	Current Year Ended 30/06/2008 RM'000	Corresponding Year Ended 30/06/2007 RM'000
Interest income	16	791,030	756,743	3,064,785	2,882,081
Interest expense	17	(439,819)	(472,915)	(1,688,293)	(1,715,796)
Net interest income		351,211	283,828	1,376,492	1,166,285
Net income from Islamic Banking business		-	-	-	-
Other operating income	18	119,304	117,837	501,067	439,100
Net Income		470,515	401,665	1,877,559	1,605,385
Other operating expenses	19	(214,076)	(194,471)	(786,194)	(686,761)
Operating profit before provision Allowances for losses on loans and financing	20	256,439	207,194	1,091,365	918,624
Impairment loss - securities		-	(1,825)	(1,009)	(1,825)
Profit before taxation (and zakat)		187,556	201,335	949,021	759,444
Taxation		(51,598)	(60,590)	(252,491)	(212,413)
Zakat		-	-	-	-
Profit after taxation		135,958	140,745	696,530	547,031
Profit attributable to shareholders		135,958	140,745	696,530	547,031
Earnings per share - basic (sen)		9.4	9.7	48.1	37.4
Earnings per share - fully diluted (sen)		9.4	9.7	48.1	37.4

Condensed Financial Statements
Hong Leong Bank Berhad
Audited Statement of Changes in Equity For The Financial Year Ended 30 June 2008

	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			
The Group									
As at 1 July 2007	1,580,107	539,664	1,791,566	(9,508)	-	39,111	1,369,223	(695,111)	4,658,707
As previously stated									
As at 1 July 2007, as restated	1,580,107	539,664	1,791,566	(9,508)	-	39,111	1,369,223	(695,111)	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	-	-	32,078	-	-	-	741,818	-	741,861
Transfer to statutory reserve	-	-	-	-	-	-	(32,078)	-	-
Dividend paid	-	-	-	-	-	-	(257,345)	-	(257,345)
less: Treasury shares	-	-	-	-	-	-	-	(3,930)	(3,930)
Net fair value changes in available for sale securities	-	-	-	(5,193)	-	-	-	-	(5,193)
Options charge arising from ESOS granted	-	-	-	-	2,720	-	-	2,720	2,720
Closing Balance @30 June 2008	1,580,107	539,664	1,823,644	(14,701)	2,720	35,529	1,821,618	(699,041)	5,089,540
									43,658
									5,133,238
As at 1 July 2006	1,580,107	539,664	1,626,403	(79,608)	-	35,363	1,170,005	(491,025)	4,380,909
As previously stated									
Prior Year Adjustment	-	-	-	-	-	-	-	-	-
As at 1 July 2006, as restated	1,580,107	539,664	1,626,403	(79,608)	-	35,363	1,170,005	(491,025)	4,380,909
<i>Currency translation differences</i>	-	-	-	-	-	3,748	-	-	3,748
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	-	3,748	-	-	3,748
Investment of shares in a subsidiary	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	620,794	-	45,000
Transfer to statutory reserve	-	-	165,163	-	-	-	(165,163)	-	(1,345)
Dividend paid	-	-	-	-	-	-	(256,413)	-	(256,413)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
less: Treasury shares	-	-	-	-	-	-	-	(204,086)	(204,086)
Net fair value changes in available for sale securities	-	-	-	70,100	-	-	-	-	70,100
Shares in subsidiary issued to minority interest	-	-	-	-	-	-	-	-	-
Closing Balance @ 30 June 2007	1,580,107	539,664	1,791,566	(9,508)	-	39,111	1,369,223	(695,111)	4,658,707

Condensed Financial Statements
Hong Leong Bank Berhad
Audited Statement of Changes in Equity For The Financial Year Ended 30 June 2008

	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	1,298,020	(695,111)	4,493,683
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	1,298,020	(695,111)	4,493,683
<i>Currency translation differences</i>	-	-	-	-	-	(3,582)	-	-	(3,582)
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	-	(3,582)	-	-	(3,582)
Net profit for the period	-	-	-	-	-	-	696,530	-	696,530
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	(257,346)	-	(257,346)
less: Purchase of Treasury Shares	-	-	-	-	-	-	-	(3,930)	(3,930)
Net fair value changes in available for sale securities	-	-	-	(4,943)	-	-	-	-	(4,943)
Options charge arising from ESOS granted	-	-	-	-	2,720	-	-	-	2,720
Closing Balance@30 June 2008	1,580,107	539,664	1,741,612	(14,663)	2,720	35,529	1,737,205	(699,041)	4,923,133
As at 1 July 2006									
As previously stated	1,580,107	539,664	1,604,855	(77,795)	-	35,363	1,144,159	(491,025)	4,335,328
Prior Year Adjustment	-	-	-	-	-	-	-	-	-
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>	-	-	-	-	-	3,748	-	-	3,748
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	-	3,748	-	-	3,748
Net profit for the period	-	-	-	-	-	-	547,031	-	547,031
Transfer to statutory reserve	-	-	136,757	-	-	-	(136,757)	-	-
Dividend paid	-	-	-	-	-	-	(256,413)	-	(256,413)
Purchase of treasury shares	-	-	-	-	-	-	-	(204,066)	(204,066)
Net fair value changes in available for sale securities	-	-	-	68,075	-	-	-	-	68,075
Closing Balance @30 June 2007	1,580,107	539,664	1,741,612	(9,720)	-	39,111	1,298,020	(695,111)	4,493,683

Hong Leong Bank Berhad
Condensed Financial Statements
Audited Condensed Cash Flow Statement
For The Financial Year Ended 30 June 2008

	The Group		The Bank	
	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
Operating activities				
Profit before taxation	1,010,042	856,598	949,021	759,444
Adjustments for non-cash items	201,366	59,237	151,033	65,925
Operating profit before working capital changes	1,211,408	915,835	1,100,054	825,369
Income taxes and zakat paid	(289,257)	(255,513)	(268,350)	(225,000)
Net changes in working capital	9,660,180	(79,049)	8,630,968	426,071
Net cash flow from operating activities	10,582,331	581,273	9,462,672	1,026,440
Net cash flow from investing activities	(3,484,023)	1,831,256	(3,127,118)	1,589,696
Net cash flow from financing activities	(827,482)	42,146	(827,482)	(2,854)
Changes in cash and cash equivalents	6,270,826	2,454,674	5,508,072	2,613,282
Currency translation differences	3,932	(29,773)	3,932	(26,512)
Cash and cash equivalents at the beginning of year	<u>15,989,916</u>	<u>13,565,015</u>	<u>14,880,849</u>	<u>12,294,079</u>
Cash and cash equivalents at the end of period	<u>22,264,674</u>	<u>15,989,916</u>	<u>20,392,853</u>	<u>14,880,849</u>

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR FINANCIAL QUARTER ENDED 30 JUNE 2008

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 year ended 30 June 2008 other than as mentioned below:-

a) Share Buy-back

During the financial year ended 30 June 2008, the Bank purchased a total of 676,000 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 year ended 30 June 2008 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	-	-	-	-	-
Jan-08	-	-	-	-	-
Feb-08	-	-	-	-	-
Mar-08	-	-	-	-	-
Apr-08	-	-	-	-	-
May-08	-	-	-	-	-
Jun-08	1,000	6.25	6.25	6.25	6,299
For the period	676,000	5.70	6.25	5.81	3,930,403

The total number of shares bought back, all of which were held as treasury shares as at 30 June 2008 amounted to 81,090,700 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 year ended 30 June 2008, the trust did not purchase any shares. As at 30 June 2008, the total number of Treasury Shares for ESOS was 50,000,000 at an average carrying value of RM5.35 per share.

The Bank has granted the following conditional incentive share options to eligible executives of the Bank pursuant to the ESOS of HLB:

- (a) 4,500,000 share options at an exercise price of RM5.72;
- (b) 21,800,000 share options at an exercise price of RM6.05; and
- (c) 12,835,000 share options at an exercise price of RM5.99

subject to the achievement of certain performance criteria during the performance period. The said share options, if vested, will be satisfied by the transfer of existing shares purchased by a trust established for the ESOS.

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. An interim dividend of 9.0 sen per share less income tax of 26% in respect of financial year ending 30 June 2008 amounting to RM96.5 million was paid on 18 March 2008.

8 Securities held at fair value through profit or loss

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
Held-for-trading				
Money market instruments:				
Malaysian Government Treasury				
Bills	129,937	102,211	129,937	102,211
Malaysian Government Securities	195,689	125,232	195,689	125,232
Malaysian Government Investment				
Certificates	55,188	55,066	-	25,013
Bank Negara Malaysia (BNM)				
Bills	1,170,850	1,506,638	793,682	1,249,510
Cagamas Bonds	-	79,045	-	79,045
Bankers' Acceptance and Islamic				
Accepted bills	2,862,379	1,132,891	2,503,847	1,101,223
Negotiable Instruments of Deposit	306,353	111,395	265,676	160,067
Khazanah Bond	47,334	-	-	-
	<u>4,767,730</u>	<u>3,112,478</u>	<u>3,888,831</u>	<u>2,842,301</u>
Quoted securities:				
Shares in Malaysia	74,052	130,619	72,336	130,360
Foreign Shares	-	-	-	-
Foreign Currency Bonds	-	-	-	-
Unquoted securities:				
Private Debt Securities	14,863	200,825	14,863	200,825
Syndicated Bond	-	38,619	-	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><u>4,856,645</u></u>	<u><u>3,487,793</u></u>	<u><u>3,976,030</u></u>	<u><u>3,217,357</u></u>

9 Securities available-for-sale

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
Money market instruments:				
Malaysian Government Investment Certificates	1,505,134	-	852,909	-
Negotiable Instruments of Deposit	16,760		16,760	
Other Government Securities	8,343	8,715	8,343	8,715
Khazanah Bonds	9,531	-	-	-
Government Treasury Bills	432,902	349,600	432,902	349,600
Malaysian Government Securities	1,880,380	1,524,880	1,880,380	1,524,880
Cagamas Bonds	972,495	754,860	873,474	654,475
	<u>4,825,545</u>	<u>2,638,055</u>	<u>4,064,768</u>	<u>2,537,670</u>
Quoted Securities:				
Shares and Convertible Loan				
Stocks	3,039	9,554	3,039	5,555
Shares Outside Malaysia	-	-	-	-
Foreign Currency Bonds	769,054	63,857	769,054	63,857
Unquoted securities:				
Private Debt Securities	231,446	115,106	167,693	71,226
Total securities available-for-sale	<u><u>5,829,084</u></u>	<u><u>2,826,572</u></u>	<u><u>5,004,554</u></u>	<u><u>2,678,308</u></u>

10 Securities held-to-maturity

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
Money market instruments:				
Malaysian Government Securities	752,186	107,353	752,186	107,353
Malaysian Government Investment Certificates	60,305	171,059	-	33,991
Cagamas bonds	230,314	275,033	230,314	-
Negotiable Instruments of Deposit	1,718,179	1,781,273	1,718,179	1,781,273
Khazanah Bonds	-	-	-	-
	<u>2,760,984</u>	<u>2,334,718</u>	<u>2,700,679</u>	<u>1,922,617</u>
Quoted securities:				
Foreign currency bonds	-	10,242	-	10,242
Unquoted securities:				
Shares	27,054	27,053	26,479	26,478
Private debt securities	211,518	83,108	145,441	62,972
Loan Stocks	2,845	11,700	2,845	11,700
	<u>241,417</u>	<u>121,861</u>	<u>174,765</u>	<u>101,150</u>
Total securities held-to-maturity	<u>3,002,401</u>	<u>2,466,821</u>	<u>2,875,444</u>	<u>2,034,009</u>

11 Loans, advances and financing

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
Overdrafts	2,435,782	2,624,460	2,425,797	2,618,889
Term loans:				
- Housing and shop loans/financing	19,445,381	16,559,484	16,252,857	14,900,084
- Syndicated term loan/financing	1,422,294	1,526,094	1,206,734	1,190,997
- Hire purchase receivables	6,167,037	5,695,681	3,195,623	2,987,444
- Lease receivables	22,602	29,374	-	-
- Other term loans/financing	2,512,094	1,721,550	2,370,894	1,545,907
Credit/charge card receivables	1,925,986	1,667,901	1,925,986	1,667,901
Bills receivables	357,255	310,842	354,769	310,842
Trust receipts	139,725	150,249	139,725	150,249
Claims on customers under acceptance credits	3,057,364	3,023,892	2,861,952	2,875,309
Block discounting	8,422	18,480	8,396	17,784
Revolving credits	799,314	783,949	799,314	783,949
Staff loans:				
Directors	-	-	-	-
Staffs other than Directors	102,020	112,345	101,979	112,259
Other loans/financing	48,339	53,354	47,561	52,178
	<u>38,443,615</u>	<u>34,277,655</u>	<u>31,691,587</u>	<u>29,213,792</u>
Unearned interest and income	(3,001,136)	(1,760,915)	(581,463)	(457,303)
Gross loans, advances and financing	<u>35,442,479</u>	<u>32,516,740</u>	<u>31,110,124</u>	<u>28,756,489</u>
Fair value changes arising from fair value hedges	(35,717)	32,540	(21,063)	16,058
Allowance for bad and doubtful debts and financing:				
- General	(526,957)	(481,746)	(461,900)	(425,782)
- Specific	(345,781)	(412,760)	(320,954)	(380,780)
Net loans, advances and financing	<u>34,534,024</u>	<u>31,654,774</u>	<u>30,306,207</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 Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
Domestic banking institutions	-	320	-	320
Domestic non-bank financial institutions	122,659	159,547	102,211	115,991
Domestic business enterprises				
- Small and medium enterprises	3,505,565	3,351,870	3,160,983	3,057,918
- Others	7,200,936	6,172,934	6,590,822	5,552,248
Government and statutory bodies	1,592	91,102	1,533	91,102
Individuals	23,477,491	21,502,145	20,163,640	18,734,077
Other domestic entities	25,976	41,907	23,997	40,532
Foreign entities	1,108,260	1,196,915	1,066,938	1,164,301
Gross loans, advances and financing	35,442,479	32,516,740	31,110,124	28,756,489

11 Loans, advances and financing (continued)

11b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
Fixed rate				
- Housing and shop loans/financing	1,634,343	3,512,263	1,125,875	2,879,880
- Hire purchase receivables	5,395,285	4,942,068	2,771,276	2,546,490
- Other fixed rate loan/financing	3,025,201	2,588,420	2,822,549	2,270,764
Variable rate				
- Base lending rate plus	22,468,590	17,829,234	21,471,366	17,415,214
- Cost plus	2,800,269	3,582,814	2,800,267	3,582,200
- Other variables rates	118,791	61,941	118,791	61,941
Gross loans, advances and financing	<u>35,442,479</u>	<u>32,516,740</u>	<u>31,110,124</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 Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
Purchase of securities	517,205	582,681	516,773	581,558
Purchase of transport vehicles	5,017,181	4,469,163	2,584,272	2,324,994
Purchase of landed properties				
- residential	13,275,941	12,136,525	12,278,962	11,482,101
- non-residential	4,232,178	3,926,088	4,037,636	3,786,768
Personal use	2,363,560	2,114,929	2,303,164	2,063,696
Credit card	1,925,986	1,667,901	1,925,986	1,667,901
Purchase of consumer durables	128	157	126	152
Construction	541,258	565,931	506,570	509,865
Working capital	7,564,139	6,961,765	6,951,781	6,247,930
Others	4,903	91,600	4,854	91,524
Gross loans, advances and financing	<u>35,442,479</u>	<u>32,516,740</u>	<u>31,110,124</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 Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
Purchase of securities	13,793	21,229	13,551	20,616
Purchase of transport vehicles	56,043	86,393	32,267	53,705
Purchase of landed properties				
- residential	229,221	289,258	212,736	268,008
- non-residential	79,537	102,970	78,597	101,628
Personal use	40,969	44,580	40,843	44,435
Credit card	28,751	26,674	28,751	26,674
Purchase of consumer durables	-	154	-	154
Construction	38,592	55,039	38,430	54,294
Working capital	353,493	407,083	349,377	400,859
Others	3	-	3	-
	<u>840,402</u>	<u>1,033,380</u>	<u>794,555</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 Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
At beginning	1,033,380	1,381,983	970,373	1,303,964
Non-performing during the period/year	2,594,538	3,008,575	2,408,810	2,755,989
Reclassified as performing	(2,195,316)	(2,640,341)	(2,041,874)	(2,428,846)
Amount written back in respect of recoveries	(332,256)	(465,517)	(302,442)	(418,294)
Amount written off	(261,664)	(249,843)	(242,032)	(240,963)
Exchange differences	1,720	(1,477)	1,720	(1,477)
Closing balance	840,402	1,033,380	794,555	970,373
Specific allowance	(345,781)	(412,760)	(320,954)	(380,780)
Net non-performing loans, advances and financing	<u>494,621</u>	<u>620,620</u>	<u>473,601</u>	<u>589,593</u>
Net NPL as a % of gross loans, advances and financing less specific allowance	<u>1.4%</u>	<u>1.9%</u>	<u>1.5%</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>	
	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 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	44,443	45,805	35,350	50,031
Exchange differences	768	(292)	768	(292)
Closing balance	<u>526,957</u>	<u>481,746</u>	<u>461,900</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	298,603	296,243	276,805	274,437
Amount written back in respect of recoveries	(105,139)	(106,256)	(95,820)	(95,984)
Amount written off	(261,663)	(250,137)	(242,031)	(241,198)
Amount transferred to provision for diminution in value	-	-	-	-
Exchange differences	1,220	(907)	1,220	(907)
Closing balance	<u>345,781</u>	<u>412,760</u>	<u>320,954</u>	<u>380,780</u>

12 Other assets

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
Interest/Income receivable	140,316	192,812	134,075	184,586
* Other debtors, deposits and prepayments	1,738,749	494,961	1,961,638	624,600
Foreclosed properties	2,595	3,009	2,595	3,009
	<u>1,881,660</u>	<u>690,782</u>	<u>2,098,308</u>	<u>812,195</u>

* Included in other debtors is amount of RM738M for the partial payment for the subscription of shares in Chengdu Bank and pending issuance of shares.

13 Deposits from customers

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
<u>By type of customer</u>				
Government and statutory bodies	985,187	362,135	380,161	140,569
Business enterprises	30,087,451	24,673,743	25,997,556	22,032,474
Individuals	30,877,001	30,054,518	29,592,888	28,815,459
Others	598,308	1,629,001	496,055	884,797
	<u>62,547,947</u>	<u>56,719,397</u>	<u>56,466,660</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 Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
Licensed banks	5,891,409	3,677,870	5,302,409	3,602,870
Other financial institutions	481,167	1,435,750	291,167	1,435,750
	<u>6,372,576</u>	<u>5,113,620</u>	<u>5,593,576</u>	<u>5,038,620</u>

15 Other liabilities

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
Interest/Profit payable	202,400	387,353	170,809	349,188
Zakat	79	42	-	-
Post employment benefits obligation				
- defined contribution plan	3,385	3,391	3,385	3,391
Loan advance payment	525,480	337,636	503,663	331,742
Amount due to subsidiary companies	-	-	42,593	49,914
Others	1,359,265	1,234,652	1,290,071	1,109,629
	<u>2,090,609</u>	<u>1,963,074</u>	<u>2,010,521</u>	<u>1,843,864</u>

16 Interest income

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2008	30/06/2007	30/06/2008	30/06/2007
	RM'000	RM'000	RM'000	RM'000
Group				
Loan, advances and financing				
- Interest income other than recoveries from NPLs	430,751	384,737	1,673,909	1,452,826
- Recoveries from NPLs	34,995	37,023	126,192	150,165
Money at call and deposit placements with financial institutions	218,599	251,252	804,080	790,240
Securities purchased under resale agreements	6,871	37,212	62,371	118,208
Securities held-for-trading	6,164	(2,116)	35,075	54,467
Securities available-for-sale	30,442	27,296	110,839	154,195
Securities held-to-maturity	9,645	19,941	35,982	85,144
Others	1,052	2,131	7,128	9,607
	<u>738,519</u>	<u>757,476</u>	<u>2,855,576</u>	<u>2,814,852</u>
Amortisation of premium less accretion of discount	55,289	(3,690)	216,986	56,469
Interest suspended	(2,802)	(443)	(8,457)	(7,160)
	<u>791,006</u>	<u>753,343</u>	<u>3,064,105</u>	<u>2,864,161</u>

16 Interest income (continued)

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2008	30/06/2007	30/06/2008	30/06/2007
	RM'000	RM'000	RM'000	RM'000
Bank				
Loan, advances and financing				
- Interest income other than recoveries from NPLs	430,775	384,825	1,673,691	1,452,836
- Recoveries from NPLs	34,995	37,022	126,192	150,156
Money at call and deposit placements with financial institutions	218,599	254,351	804,765	805,922
Securities purchased under resale agreements	6,871	37,212	62,371	118,208
Securities held-for-trading	6,164	(1,689)	35,288	56,704
Securities available-for-sale	30,442	27,296	110,839	154,195
Securities held-to-maturity	9,645	19,941	35,982	85,144
Others	1,052	2,131	7,128	9,607
	<u>738,543</u>	<u>761,089</u>	<u>2,856,256</u>	<u>2,832,772</u>
Amortisation of premium less accretion of discount	55,289	(3,690)	216,986	56,469
Interest suspended	(2,802)	(656)	(8,457)	(7,160)
	<u>791,030</u>	<u>756,743</u>	<u>3,064,785</u>	<u>2,882,081</u>

17 Interest expense

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2008	30/06/2007	30/06/2008	30/06/2007
	RM'000	RM'000	RM'000	RM'000
Group				
Deposits and placements of banks and other financial institutions	31,768	51,800	129,527	300,166
Deposits from customers	275,202	307,798	1,078,637	1,224,646
Short term corporate placements	123,671	91,876	428,529	116,118
Subordinated bonds	8,303	8,547	34,201	35,551
Others	377	7,659	14,052	18,556
	<u>439,321</u>	<u>467,680</u>	<u>1,684,946</u>	<u>1,695,037</u>

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2008	30/06/2007	30/06/2008	30/06/2007
	RM'000	RM'000	RM'000	RM'000
Bank				
Deposits and placements of banks and other financial institutions	31,767	54,900	130,212	315,849
Deposits from customers	275,701	309,933	1,081,299	1,229,722
Short term corporate placements	123,671	91,876	428,529	116,118
Subordinated bonds	8,303	8,547	34,201	35,551
Others	377	7,659	14,052	18,556
	<u>439,819</u>	<u>472,915</u>	<u>1,688,293</u>	<u>1,715,796</u>

18 Other operating income

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2008 RM'000	30/06/2007 RM'000	30/06/2008 RM'000	30/06/2007 RM'000
Group				
(a) <u>Fee income:</u>				
Commissions	16,888	20,855	86,036	88,016
Service charges and fees	7,924	19,301	33,980	55,639
Guarantee fees	1,366	1,332	5,674	5,385
Other fee income	61,032	40,357	201,115	150,519
	<u>87,210</u>	<u>81,845</u>	<u>326,805</u>	<u>299,559</u>
(b) <u>Gain/loss arising from sale of securities:</u>				
Net gain from sale of securities held-for-trading and derivatives	6,489	47,142	21,937	57,163
Net gain from sale of securities available-for-sale	1,015	1,107	6,759	38,715
Net gain from redemption of securities held-to-maturity	2,318	1	1,966	948
	<u>9,822</u>	<u>48,250</u>	<u>30,662</u>	<u>96,826</u>
(c) <u>Gross dividend income from:</u>				
Subsidiary companies	-	-	-	-
Securities held at fair value through profit or loss	1,239	1,580	6,472	3,013
Securities available-for-sale	-	207	12	1,669
Securities held to maturity	388	677	3,111	1,001
	<u>1,627</u>	<u>2,464</u>	<u>9,595</u>	<u>5,683</u>

18 Other operating income (continued)

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2008 RM'000	30/06/2007 RM'000	30/06/2008 RM'000	30/06/2007 RM'000
(d) <u>Net unrealised gains/(losses) on revaluation of securities held-for-trading and derivatives</u>	<u>(19,938)</u>	<u>(1,390)</u>	<u>(2,499)</u>	<u>(10,018)</u>
(e) <u>Net realised gains/(losses) on fair value changes arising from fair value hedges</u>	<u>(19,622)</u>	<u>(4,700)</u>	<u>(30,856)</u>	<u>(17,157)</u>
(f) <u>Net unrealised gains/(losses) on fair value changes arising from fair value hedges</u>	<u>13,913</u>	<u>(4,663)</u>	<u>7,883</u>	<u>(6,368)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	13,526	9,007	111,246	72,455
Rental income	62	178	329	368
Gain on disposal of property and equipment (net)	307	11	1,692	407
Profit from Takaful investments	3,229	918	10,872	1,026
Others	4,344	1,488	13,408	12,458
	<u>21,468</u>	<u>11,602</u>	<u>137,547</u>	<u>86,714</u>
Total other operating income	<u>94,480</u>	<u>133,408</u>	<u>479,137</u>	<u>455,239</u>

18 Other operating income

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2008 RM'000	30/06/2007 RM'000	30/06/2008 RM'000	30/06/2007 RM'000
Bank				
(a) Fee income:				
Commissions	16,964	20,856	86,036	88,016
Service charges and fees	7,924	19,301	33,980	55,639
Guarantee fees	1,366	1,332	5,674	5,385
Other fee income	61,054	40,372	201,180	150,578
	<u>87,308</u>	<u>81,861</u>	<u>326,870</u>	<u>299,618</u>
(b) Gain/loss arising from sale of securities:				
Net gain from sale of securities held-for-trading and derivatives	6,489	47,142	21,937	57,163
Net gain from sale of securities available-for-sale	1,015	1,107	6,759	38,715
Net gain from redemption of securities held-to-maturity	2,318	1	1,966	948
	<u>9,822</u>	<u>48,250</u>	<u>30,662</u>	<u>96,826</u>
(c) Gross dividend income from:				
Subsidiary companies	-	-	-	-
Securities held-for-trading	1,239	1,580	6,472	3,013
Securities available-for-sale	-	207	12	1,669
Securities held to maturity	388	677	3,111	1,001
	<u>1,627</u>	<u>2,464</u>	<u>9,595</u>	<u>5,683</u>

18 Other operating income (continued)

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2008 RM'000	30/06/2007 RM'000	30/06/2008 RM'000	30/06/2007 RM'000
(d) <u>Net unrealised gains/(losses) on revaluation of securities held-for-trading and derivatives</u>	3,473	8,155	20,913	(25,387)
(e) <u>Net realised gains/(losses) on fair value changes arising from fair value hedges</u>	(15,978)	(29,614)	(27,212)	(17,157)
(f) <u>Net unrealised gains/(losses) on fair value changes arising from fair value hedges</u>	14,335	(5,770)	11,965	(7,475)
(g) <u>Other income:</u>				
Foreign exchange gain	13,526	9,007	111,246	72,455
Rental income	62	177	329	367
Gain on disposal of property and equipment (net)	307	11	1,692	407
Others	4,822	3,296	15,007	13,763
	18,717	12,491	128,274	86,992
Total other operating income	119,304	117,837	501,067	439,100

19 Other operating expenses

<u>Group</u>	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2008 RM'000	30/06/2007 RM'000	30/06/2008 RM'000	30/06/2007 RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	104,302	87,537	385,742	334,271
- Others	12,018	9,861	36,301	29,465
<u>Establishment costs</u>				
- Depreciation equipment equipment	11,682	9,145	44,775	39,548
- Depreciation of Prepaid Lease	25	35	84	110
- Amortisation of intangible assets	3,437	3,665	12,997	14,629
- Rental	10,245	9,886	42,224	38,281
- Information technology expenses	10,892	11,124	42,593	37,875
- Others	10,162	10,692	41,041	37,109
<u>Marketing expenses</u>				
- Advertisement and publicity	20,348	16,362	59,029	44,528
- Handling fees	4,436	3,766	16,781	13,539
- Others	9,185	11,125	43,720	40,602
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,296	3,101	9,782	9,725
- Stationery & printing	4,390	5,093	15,506	16,136
- Others	26,344	28,244	98,187	92,199
	<u>229,762</u>	<u>209,636</u>	<u>848,762</u>	<u>748,017</u>

19 Other operating expenses (continued)

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2008 RM'000	30/06/2007 RM'000	30/06/2008 RM'000	30/06/2007 RM'000
Bank				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	96,401	77,450	354,835	296,620
- Others	10,565	8,169	32,288	25,439
<u>Establishment costs</u>				
- Depreciation equipment	11,430	8,915	43,798	38,749
- Depreciation of Prepaid Lease	23	34	75	101
- Amortisation of intangible assets	3,321	3,619	12,591	14,441
- Rental	9,692	9,335	39,953	35,701
- Information technology expenses	10,334	10,533	40,772	35,264
- Others	8,910	9,560	35,843	30,975
<u>Marketing expenses</u>				
- Advertisement and publicity	20,743	18,117	59,060	44,897
- Handling fees	2,958	3,480	8,832	11,625
- Others	7,720	9,654	38,911	38,680
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,261	3,079	9,688	9,394
- Stationery & printing	4,330	4,997	15,317	15,605
- Others	25,388	27,529	94,231	89,270
	<u>214,076</u>	<u>194,471</u>	<u>786,194</u>	<u>686,761</u>

20 Allowance for losses on loans, advances and financing

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2008	30/06/2007	30/06/2008	30/06/2007
	RM'000	RM'000	RM'000	RM'000
Group				
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	11,428	18,047	44,443	45,805
- specific allowance	104,225	41,781	298,603	296,243
- specific allowance written back	(26,799)	(34,718)	(105,139)	(106,256)
Bad debts and financing written off	2,587	3,285	7,515	8,331
Bad debts and financing recovery	(19,140)	(21,818)	(86,895)	(82,373)
	<u>72,301</u>	<u>6,577</u>	<u>158,527</u>	<u>161,750</u>

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2008	30/06/2007	30/06/2008	30/06/2007
	RM'000	RM'000	RM'000	RM'000
Bank				
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	10,790	18,677	35,350	50,031
- specific allowance	97,834	36,502	276,805	274,437
- specific allowance written back	(24,125)	(33,002)	(95,820)	(95,984)
Bad debts and financing written off	2,460	3,104	7,186	7,970
Bad debts and financing recovery	(18,076)	(21,247)	(82,186)	(79,099)
	<u>68,883</u>	<u>4,034</u>	<u>141,335</u>	<u>157,355</u>

21 Capital adequacy

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 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	1,821,618	1,369,223	1,737,205	1,298,020
Other reserves	1,861,893	1,830,677	1,779,861	1,780,723
Less: Treasury shares	(699,041)	(695,111)	(699,041)	(695,111)
Less: Deferred tax	(173,153)	(164,961)	(155,303)	(149,078)
Add: Minority interest	43,698	43,655	-	-
Total tier-1 capital	4,974,786	4,503,254	4,782,493	4,354,325
Tier-2 capital				
General provision	526,957	481,746	461,900	425,782
Subordinated bonds	653,500	682,800	653,500	682,800
Total tier-2 capital	1,180,457	1,164,546	1,115,400	1,108,582
Total capital	6,155,243	5,667,800	5,897,893	5,462,907
Less: Investment in subsidiary companies	-	-	(592,041)	(577,041)
Less: Holdings of other banking institution's capital instruments	(31,858)	-	(31,858)	-
Total capital base	6,123,385	5,667,800	5,273,994	4,885,866
<u>Before deducting proposed dividends</u>				
Core Capital Ratio	13.30%	13.34%	14.29%	14.42%
Risk-weighted Capital Ratio	16.36%	16.79%	15.76%	16.17%
<u>After deducting proposed dividends</u>				
Core Capital Ratio	12.84%	12.84%	13.78%	13.86%
Risk-weighted Capital Ratio	15.91%	16.29%	15.25%	15.62%

22 Group segmental reporting on revenue, profit and assets

	Financial Quarter ended 30/06/2008					
	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	328,305	26,107	128,733	3,230	486,375	
Inter-segment revenue	59,468	29,084	(88,552)	-	-	
Segment revenue	<u>387,773</u>	<u>55,191</u>	<u>40,181</u>	<u>3,230</u>	<u>486,375</u>	
Segment profit before taxation	178,522	(10,335)	15,951	174	184,312	
Taxation and zakat					(50,247)	
Profit after taxation					<u>134,065</u>	

	Financial Year ended 30/06/2008					
	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	1,141,352	212,183	653,933	10,872	2,018,340	
Inter-segment revenue	278,530	68,682	(347,212)	-	-	
Segment revenue	<u>1,419,882</u>	<u>280,865</u>	<u>306,721</u>	<u>10,872</u>	<u>2,018,340</u>	
Segment profit before taxation	672,112	119,976	217,864	90	1,010,042	
Taxation and zakat					(268,181)	
Profit after taxation					<u>741,861</u>	
Segment assets	27,131,567	7,614,869	39,630,425	219,142	74,596,003	
Unallocated assets					2,865,202	
Total assets					<u>77,461,205</u>	

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

Corresponding Quarter Ended 30/06/2007

	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	212,839	94,091	151,900	912	459,742
Inter-segment revenue	115,717	(11,822)	(103,895)	-	-
Segment revenue	<u>328,556</u>	<u>82,269</u>	<u>48,005</u>	<u>912</u>	<u>459,742</u>
Segment profit before taxation	146,217	72,778	23,433	(724)	241,704
Taxation and zakat					(69,757)
Profit after taxation					<u>171,947</u>

Financial Year ended 30/06/2007

	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	779,390	360,754	626,145	1,901	1,768,190
Inter-segment revenue	487,798	(72,883)	(414,915)	-	-
Segment revenue	<u>1,267,188</u>	<u>287,871</u>	<u>211,230</u>	<u>1,901</u>	<u>1,768,190</u>
Segment profit before taxation	573,722	162,648	122,918	(2,690)	856,598
Taxation and zakat					(237,149)
Profit after taxation					<u>619,449</u>
Segment assets	24,407,021	7,425,408	37,321,041	107,826	69,261,296
Unallocated assets					2,162,443
Total assets					<u>71,423,739</u>

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 year ended 30 June 2008 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.

On 3 March 2008, HLB announced that it had incorporated a wholly-owned subsidiary in Labuan known as HLB Principal Investments (L) Limited to undertake the business of holding of or dealing in offshore securities.

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 Year Ended 30/06/2008			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	207,396	207,396	193,849	168,884	168,884	168,884
Transaction-related contingent items	287,933	143,966	129,875	282,088	141,043	141,043
Short-term self liquidating trade-related contingencies	741,691	148,338	142,375	606,280	121,256	121,256
Other assets sold with recourse and commitment	-	-	-	-	-	-
Underwriting Obligations	-	-	-	-	-	-
Irrevocable commitments to extend credit:						
- maturity more than 1 year	4,279,447	2,139,724	1,743,385	4,337,370	2,168,685	2,168,685
- maturity less than 1 year	13,458,683	2,691,736	2,189,391	13,947,338	-	-
Foreign exchange related contracts	24,024,375	1,016,617	601,625	22,717,926	560,034	70,693
Interest rate related contracts	38,339,797	411,764	165,943	34,430,038	454,567	3,051
Equity related contracts	302,223	22,243	12,583	129,340	1,940	-
Total	81,641,545	6,781,784	5,179,026	76,619,264	3,616,409	2,673,612

25 Commitments and contingencies (continued)

	Financial Year Ended 30/06/2008			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	207,396	207,396	193,849	168,884	168,884	168,884
Transaction-related contingent items	253,585	126,792	112,744	281,719	140,859	140,859
Short-term self liquidating trade-related contingencies	737,476	147,495	141,583	599,083	119,817	119,817
Underwriting Obligations	-	-	-	-	-	-
Irrevocable commitments to extend credit:						
- maturity more than 1 year	3,554,073	1,777,037	1,440,859	4,011,440	2,005,720	2,005,720
- maturity less than 1 year	13,256,242	2,651,248	2,149,575	13,929,119	-	-
Foreign exchange related contracts	24,024,375	1,016,617	601,625	22,717,067	560,021	70,693
Interest rate related contracts	38,339,797	411,764	165,943	34,430,038	454,567	3,051
Equity related contracts	302,223	22,243	12,583	129,340	1,940	-
Total	80,675,167	6,360,592	4,818,761	76,266,690	3,451,808	2,509,024

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 30 June 2008	← 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	21,849,177					415,497		22,264,674	3.5
Deposits & placement with banks & other financial institution		1,473,170	664,470					2,137,640	3.5
Securities purchased under resale agreement	972,742	-						972,742	3.1
Securities held at fair value through profit and loss							4,856,645	4,856,645	3.7
Securities available-for-sale	435,141	778,552	728,744	2,963,533	914,508	8,606	-	5,829,084	4.1
Securities held-to-maturity	500,511	1,150,026	83,180	1,067,298	171,488	29,898		3,002,401	3.5
Loans, advances and financing									
- performing	27,046,861	495,560	1,032,041	3,461,817	2,544,703	(519,506)		34,061,476	6.4
- non-performing						472,548		472,548	
Other assets						1,881,660		1,881,660	
Statutory deposits with BNM						1,315,464		1,315,464	
Investment in subsidiary						-		-	
Prepaid land lease payments						6,286		6,286	
Property, plant and equipment						290,301		290,301	
Intangible assets						33,262		33,262	
Deferred tax assets						173,153		173,153	
General and Family Takaful fund assets						163,869		163,869	
Total assets	50,804,432	3,897,308	2,508,435	7,492,648	3,630,699	4,271,038	4,856,645	77,461,205	
Liabilities									
Deposits from customers	35,833,479	6,602,222	13,749,194	939,145	-	5,423,907	-	62,547,947	2.7
Deposits & placement of banks & other financial institutions	5,530,305	776,830	58,107	-	-	7,334		6,372,576	3.0
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-		-	-
Bills and acceptance payable	17,794	61,638	39,855	-	-	291,896		411,183	3.5
Other liabilities						2,090,609		2,090,609	-
Subordinated obligations				671,750				671,750	5.2
Short term syndicated loan								-	
Provision for taxation						70,033		70,033	
General and Family Takaful fund liabilities						3,232		3,232	
General and Family Takaful fund policyholders' fund						160,637		160,637	
Total liabilities	41,381,578	7,440,690	13,847,156	1,610,895	-	8,047,648	-	72,327,967	
Shareholders funds						5,133,238	-	5,133,238	
Total liabilities and Shareholders' funds	41,381,578	7,440,690	13,847,156	1,610,895	-	13,180,886	-	77,461,205	
On-balance sheet profit sensitivity gap	9,422,854	(3,543,382)	(11,338,721)	5,881,753	3,630,699				

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				

Bank As at 30 June 2008	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	19,963,838					429,015		20,392,853	3.5
Deposits & placement with banks & other financial instrument		1,473,170	664,470					2,137,640	3.5
Securities purchased under resale agreement	972,742	-						972,742	3.1
Securities held at fair value through profit and loss							3,976,030	3,976,030	3.4
Securities available-for-sale	435,141	738,580	713,663	2,237,774	870,790	8,606	-	5,004,554	4.2
Securities held-to-maturity	500,511	1,150,026	83,180	971,741	140,663	29,323		2,875,444	3.5
Loans, advances and financing									
- performing	25,885,400	483,978	919,348	1,958,214	1,047,566	(454,796)		29,839,710	6.5
- non-performing						466,497		466,497	
Other assets						2,098,308		2,098,308	
Statutory deposits with BNM						1,170,500		1,170,500	
Investment in subsidiary						592,041		592,041	
Prepaid land lease payments						5,403		5,403	
Property, plant and equipment						274,222		274,222	
Intangible assets						31,509		31,509	
Deferred tax assets						155,303		155,303	
Total assets	47,757,632	3,845,754	2,380,661	5,167,729	2,059,019	4,805,931	3,976,030	69,992,756	
Liabilities									
Deposits from customers	31,558,807	6,140,216	12,615,696	728,034	-	5,423,907	-	56,466,660	2.6
Deposits & placement of banks & other financial institutions	5,230,305	297,830	58,107	-	-	7,334		5,593,576	2.8
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-		-	-
Bills and acceptance payable	4,409	9,706	5,575	-	-	281,013		300,703	2.8
Other liabilities						2,010,521		2,010,521	
Subordinated obligations				671,750				671,750	5.2
Short term syndicated loan			-					-	-
Provision for taxation						26,413		26,413	
General and Family Takaful fund liabilities						-		-	
General and Family Takaful fund policyholders' fund						-		-	
Total liabilities	36,793,521	6,447,752	12,679,378	1,399,784	-	7,749,188	-	65,069,623	
Shareholders funds						4,923,133		4,923,133	
Total liabilities and Shareholders' funds	36,793,521	6,447,752	12,679,378	1,399,784	-	12,672,321	-	69,992,756	
On-balance sheet profit sensitivity gap	10,964,111	(2,601,998)	(10,298,717)	3,767,945	2,059,019				

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					-	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				

28 Operations of Islamic Banking

28a Unaudited Balance Sheet as at 30 June 2008

	<u>The Group</u>	
	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
ASSETS		
Cash and short-term funds	1,871,430	1,355,818
Deposits and placements with bank and other financial institutions	-	100,000
Securities - Held-for-trading	927,570	318,848
Securities - Available-for-trading	780,812	136,210
Securities - Held-to-maturity	126,957	432,812
Financing, advances and other financing	4,242,329	3,672,900
Other assets	7,054	19,875
Statutory deposits with Bank Negara Malaysia	144,964	170,314
Property, plant and equipment	1,854	1,630
Deferred tax assets	17,850	15,883
Total Assets	<u>8,120,820</u>	<u>6,224,290</u>
<u>LIABILITIES AND SHAREHOLDERS' FUNDS</u>		
Deposits from customers	6,208,081	5,250,725
Deposits and placements of banks and other financial institutions	779,000	75,000
Obligations on securities sold under purchase agreements	-	-
Bills and acceptance payable	110,480	3,756
Other liabilities	351,119	292,119
Provision for taxation	7,408	2,555
Total Liabilities	<u>7,456,088</u>	<u>5,624,155</u>
Islamic banking capital fund	500,000	500,000
Reserves	164,732	100,135
Islamic Banking Funds	<u>664,732</u>	<u>600,135</u>
Total Liabilities and Islamic Banking Funds	<u>8,120,820</u>	<u>6,224,290</u>
COMMITMENTS AND CONTINGENCIES	<u>966,378</u>	<u>352,573</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 4th Quarter and Cumulative 12 Months Ended 30 June 2008

Group	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2008	30/06/2007	30/06/2008	30/06/2007
	RM'000	RM'000	RM'000	RM'000
Income derive from investment of deposits' funds and others	79,717	69,680	289,720	295,106
Income derive from investment of shareholders' funds	9,605	10,211	39,411	33,251
Allowance for losses on financing	(3,812)	(2,573)	(19,704)	(5,196)
Provision for commitments and contingencies	-	-	-	-
Impairment loss	-	-	-	-
Profit equalisation reserve	(575)	4,885	(1,720)	(126)
Other expenses directly attributable to the investment of the deposits and shareholders' funds	-	-	-	-
Total distributable income	84,935	82,203	307,707	323,035
Income attributable to deposits	(48,538)	(44,105)	(167,369)	(184,403)
Total net income	36,397	38,098	140,338	138,632
Other operating expenses	(13,342)	(13,763)	(52,788)	(57,327)
Profit before taxation and zakat	23,055	24,335	87,550	81,305
Zakat	-	(5)	-	(35)
Taxation	(6,647)	(9,077)	(23,394)	(24,459)
Profit after taxation and zakat	16,408	15,253	64,156	56,811
Profit attributable to shareholders	16,408	15,253	64,156	56,811
Earning per share - basic (sen)	3.28	3.05	12.83	11.36
Earning per share - fully diluted (sen)	3.28	3.05	12.83	11.36

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 Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
Cash line	11,230	7,457
Term financing		
- Housing financing	3,192,524	1,659,400
- Hire purchase receivable	2,971,414	2,708,237
- Lease receivable	21,080	25,976
- Other term financing	356,760	510,740
Claims on customers under acceptance credit	197,898	148,583
Staff financing	41	86
Revolving credit	26	696
Others	778	1,176
	<hr/>	<hr/>
	6,751,751	5,062,351
Less: Unearned income	(2,419,663)	(1,303,602)
	<hr/>	<hr/>
	4,332,088	3,758,749
Less: Allowance for bad and doubtful financing		
- General	(65,025)	(55,932)
- Specific	(24,734)	(29,917)
	<hr/>	<hr/>
Total net financing, advances and other financing	<hr/> <u>4,242,329</u>	<hr/> <u>3,672,900</u>

(ii) **By contract**

	<u>The Group</u>	
	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
Bai' Bithaman Ajil (deferred payment sale)	1,484,449	1,020,885
Ijarah (lease)	20,028	24,086
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,629,727	2,407,069
Murabahah (cost-plus)	197,884	306,709
	<hr/>	<hr/>
	<u>4,332,088</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 Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
At beginning	61,070	75,637
Classified as non-performing during the period	185,715	252,574
Reclassified as performing	(153,442)	(211,495)
Amount recovered	(29,708)	(46,766)
Amount written off	(17,881)	(8,880)
At end	<u>45,754</u>	<u>61,070</u>
Net non-performing financing, advances and other financing	<u>21,020</u>	<u>31,153</u>
Ratio of net non-performing financing, advances and other financing to total net financing, advances and other financing	<u>0.5%</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 Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
General allowance		
At beginning	55,932	60,158
Allowance made / (written back)	9,093	(4,226)
At end	<u>65,025</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)	21,780	21,795
Amount recovered	(9,082)	(9,848)
Amount written off	(17,881)	(8,938)
At end	<u>24,734</u>	<u>29,917</u>

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

28d Deposits from customer

By type of deposit

	<u>The Group</u>	
	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
Non-Mudharabah		
Demand deposits	362,557	299,018
Saving deposits	555,853	522,418
Negotiable Islamic Debt Certificate	529,911	198,077
Others	-	-
	<u>1,448,321</u>	<u>1,019,513</u>
Mudharabah		
Demand deposits	-	-
Saving deposits	478,049	423,792
General investment deposits	1,635,080	2,002,058
Specific investment deposits	2,646,631	1,805,362
Others	-	-
	<u>4,759,760</u>	<u>4,231,212</u>
	<u>6,208,081</u>	<u>5,250,725</u>

29 Change in accounting policies and prior year adjustments

During the financial year ended 30 June 2008, 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 RM184.3 million for the current financial quarter ended 30 June 2008, a decrease of RM57.4 million as compared to previous corresponding quarter. The decrease in profitability was due to higher loan loss provision charged as well as increased in operating expenses.

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

The Group pre-tax profit for the twelve months ended 30 June 2008 stood at RM1.01 billion, an increase of RM153.4 million as compared to RM856.6 million in the previous corresponding period. Net income increased by RM250.2 million or 14%, which was spurred by the increase in net interest income of RM210.0 million.

2 Review of performance of current quarter against preceding quarter

For the current financial quarter, the Group recorded a pre-tax profit of RM184.3 million as compared to RM276.9 million in the preceding quarter, a decrease of RM92.6 million mainly from higher specific provision charged coupled with lower recoveries.

3 Prospect for the new financial year 2008/2009

The Group continue to be cautiously optimistic on the outlook for the Bank despite the external headwinds from the US sub-prime issue and rising commodity prices. The Group will remain sensible on the business growth, while maintaining continued vigilance on risk, growth and sustainability.

4 Variance in profit forecast and shortfall in profit guarantee

This note is not applicable to the Group.

5 Taxation

	Current Quarter Ended 30/06/2008 RM'000	Corresponding Quarter Ended 30/06/2007 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
The Group				
Malaysian income tax	54,459	74,075	275,041	256,474
Oversea tax	-	-	-	-
	<u>54,459</u>	<u>74,075</u>	<u>275,041</u>	<u>256,474</u>
Transfer from/(to) deferred taxation	(4,212)	(4,323)	(6,860)	(19,360)
	<u><u>50,247</u></u>	<u><u>69,752</u></u>	<u><u>268,181</u></u>	<u><u>237,114</u></u>

5 Taxation (continued)

	Current Quarter Ended 30/06/2008 RM'000	Corresponding Quarter Ended 30/06/2007 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
The Bank				
Malaysian income tax	55,518	65,095	257,244	234,092
Oversea tax	-	-	-	-
	<u>55,518</u>	<u>65,095</u>	<u>257,244</u>	<u>234,092</u>
Transfer from/(to) deferred taxation	(3,920)	(4,505)	(4,753)	(21,679)
	<u>51,598</u>	<u>60,590</u>	<u>252,491</u>	<u>212,413</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

There are no outstanding corporate proposals for the current financial period.

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 Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
Deposits from customers				
Fixed deposits	33,984,323	29,286,082	29,766,590	25,820,415
Negotiable instruments of deposit	1,697,204	3,247,184	1,215,964	3,097,778
Demand deposits	6,000,146	5,021,169	5,651,734	4,736,354
Saving deposits	7,491,714	7,117,265	6,457,812	6,171,055
Short term corporate placement	13,159,163	11,836,509	13,159,163	11,836,509
Other	215,397	211,188	215,397	211,188
	<u>62,547,947</u>	<u>56,719,397</u>	<u>56,466,660</u>	<u>51,873,299</u>

The maturity structure of fixed deposits and negotiable instruments:

One year or less (short term)	34,737,382	31,700,881	30,254,520	28,175,737
More than one year (medium/long term)	944,145	832,385	728,034	742,456
	<u>35,681,527</u>	<u>32,533,266</u>	<u>30,982,554</u>	<u>28,918,193</u>

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
Deposits and placements of banks and other financial institutions				
Licensed banks	5,891,409	3,677,870	5,302,409	3,602,870
Other financial institutions	481,167	1,435,750	291,167	1,435,750
	<u>6,372,576</u>	<u>5,113,620</u>	<u>5,593,576</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)	6,372,576	5,113,620	5,593,576	5,038,620
More than one year (medium/long term)	-	-	-	-
	<u>6,372,576</u>	<u>5,113,620</u>	<u>5,593,576</u>	<u>5,038,620</u>

11 Subordinated bonds

The Group and The Bank

	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
Subordinated bonds - USD200 million	<u>671,750</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 Year Ended 30/06/2008 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 30 June 2008:

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	17,676,597	9,673,852	4,342,199	2,777,068	834,627	48,851	-
- swaps	4,325,442	17,180	442,522	-	-	3,564,872	300,868
- options	2,022,336	1,275,779	411,419	335,138	-	-	-
Interest rate related contracts							
- forwards	-	-	-	-	-	-	-
- futures	12,793,305	-	2,099,268	1,775,788	3,165,000	5,753,250	-
- swaps	25,546,492	(69,636)	1,629,580	460,000	3,501,667	18,502,781	1,522,100
Total	62,364,172	10,897,175	8,924,988	5,347,993	7,501,294	27,869,754	1,822,968

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	17,676,597	9,673,852	4,342,199	2,777,068	834,627	48,851	-
- swaps	4,325,442	17,180	442,522	-	-	3,564,872	300,868
- options	2,022,336	1,275,779	411,419	335,138	-	-	-
Interest rate related contracts							
- forwards	-	-	-	-	-	-	-
- futures	12,793,305	-	2,099,268	1,775,788	3,165,000	5,753,250	-
- swaps	25,546,492	(69,636)	1,629,580	460,000	3,501,667	18,502,781	1,522,100
Total	62,364,172	10,897,175	8,924,988	5,347,993	7,501,294	27,869,754	1,822,968

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 RM881,960,520 (FYE June 2007: RM492,598,221) and RM30,084,196,890 (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 RM640,117,890 (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

A final dividend of 15.0 sen per share less income tax of 25% has been proposed for the current quarter.

- (i) Amount per share: 15.0 sen (less 25% taxation).
- (ii) Previous corresponding quarter: 15.0 sen per share (less 26% taxation).
- (iii) Entitlement date: To be announced later.
- (iv) Payment date: To be announced later.

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 30/06/2008 RM'000	Corresponding Quarter Ended 30/06/2007 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
<u>The Group</u>				
Net profit attributable to shareholders of the company	133,987	172,407	741,818	620,794
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	(131,091)	(122,922)	(130,950)	(115,898)
	<u>1,449,016</u>	<u>1,457,185</u>	<u>1,449,157</u>	<u>1,464,209</u>
Basic earnings per share (sen)	9.2	11.8	51.2	42.4
<u>The Bank</u>				
Net profit attributable to shareholders of the company	135,958	140,745	696,530	547,031
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	(131,091)	(122,922)	(130,950)	(115,898)
	<u>1,449,016</u>	<u>1,457,185</u>	<u>1,449,157</u>	<u>1,464,209</u>
Basic earnings per share (sen)	9.4	9.7	48.1	37.4

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 30/06/2008 RM'000	Corresponding Quarter Ended 30/06/2007 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Year Ended 30/06/2007 RM'000
<u>The Group</u>				
Net profit attributable to shareholders of the company	133,987	172,407	741,818	620,794
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the year	1,449,016	1,457,185	1,449,157	1,464,209
- adjustment for ESOS	-	-	-	-
	<u>1,449,016</u>	<u>1,457,185</u>	<u>1,449,157</u>	<u>1,464,209</u>
Fully diluted earnings per share (sen)	9.2	11.8	51.2	42.4
<u>The Bank</u>				
Net profit attributable to shareholders of the company	135,958	140,745	696,530	547,031
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the year	1,449,016	1,457,185	1,449,157	1,464,209
- adjustment for ESOS	-	-	-	-
	<u>1,449,016</u>	<u>1,457,185</u>	<u>1,449,157</u>	<u>1,464,209</u>
Fully diluted earnings per share (sen)	9.4	9.7	48.1	37.4