

Condensed Financial Statements
Hong Leong Bank Berhad
Unaudited Balance Sheet As At 31 December 2008

	The Group		The Bank	
	Financial Period Ended 31/12/2008	Financial Year Ended 30/06/2008	Financial Period Ended 31/12/2008	Financial Year Ended 30/06/2008
Note	RM'000	RM'000	RM'000	RM'000
ASSETS				
Cash and short-term funds	20,876,441	22,264,674	19,223,614	20,392,853
Deposits and placements with financial institutions	7,040,272	2,137,640	7,040,270	2,137,640
Securities purchased under resale agreements	-	972,742	-	972,742
Securities held at fair value through profit and loss	8 5,786,791	4,856,645	4,003,472	3,976,030
Securities available-for-sale	9 2,402,906	5,829,084	2,122,016	5,004,554
Securities held-to-maturity	10 4,614,800	3,002,401	4,438,227	2,875,444
Loans, advances and financing	11 34,577,811	34,534,024	30,460,678	30,306,207
Other assets	12 1,235,396	1,881,660	1,376,876	2,098,308
Statutory deposits with Bank Negara Malaysia	1,068,764	1,315,464	931,100	1,170,500
Investment in subsidiary companies	-	-	575,746	592,041
Investment in an associated company	992,974	-	946,560	-
Prepaid land lease payments	6,244	6,286	5,366	5,403
Property, plant and equipment	312,350	290,301	296,223	274,222
Intangible assets	27,634	33,262	26,059	31,509
Deferred tax assets	184,292	173,153	165,877	155,303
General and Family Takaful fund assets	166,319	163,869	-	-
Total Assets	79,292,994	77,461,205	71,612,084	69,992,756
LIABILITIES AND SHAREHOLDERS' FUNDS				
Deposits from customers	13 65,758,605	62,547,947	59,510,779	56,466,660
Deposits and placements of banks and other financial institutions	14 2,982,341	6,372,576	2,335,939	5,593,576
Obligations on securities sold under repurchase agreements	-	-	-	-
Bills and acceptance payable	1,625,389	411,183	1,524,972	300,703
Other liabilities	15 2,521,974	2,090,609	2,387,283	2,010,521
Subordinated Bonds	727,766	671,750	727,766	671,750
Provision for taxation	67,067	70,033	8,757	26,413
General and Family Takaful fund liabilities	4,565	3,232	-	-
General and Family Takaful policyholders' fund	161,753	160,637	-	-
Total Liabilities	73,849,460	72,327,967	66,495,496	65,069,623
Share Capital	1,580,107	1,580,107	1,580,107	1,580,107
Reserves	4,519,131	4,208,474	4,235,527	4,042,067
Less: Treasury Shares	(699,046)	(699,041)	(699,046)	(699,041)
Total Shareholders' Equity	5,400,192	5,089,540	5,116,588	4,923,133
Minority interest	43,342	43,698	-	-
Total Equity	5,443,534	5,133,238	5,116,588	4,923,133
Total Liabilities and Equity	79,292,994	77,461,205	71,612,084	69,992,756
COMMITMENTS AND CONTINGENCIES	25 74,537,813	81,641,545	73,655,842	80,675,167
CAPITAL ADEQUACY				
Before deducting proposed dividends				
Core capital ratio	21 13.74%	13.30%	13.01%	14.29%
Risk-weighted capital ratio	21 14.07%	16.36%	13.01%	15.76%
After deducting proposed dividends				
Core capital ratio	21 13.47%	12.84%	12.72%	13.78%
Risk-weighted capital ratio	21 13.81%	15.91%	12.72%	15.25%
Net asset per share attributable to ordinary equity holders of the parent (RM) *	3.73	3.51	3.53	3.40

* 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 2008

The Group

	Note	Current Quarter Ended 31/12/2008 RM'000	Corresponding Quarter Ended 31/12/2007 RM'000	Current Period Ended 31/12/2008 RM'000	Corresponding Period Ended 31/12/2007 RM'000
Interest income	16	790,533	754,117	1,607,502	1,505,601
Interest expense	17	(427,297)	(406,835)	(887,224)	(825,796)
Net interest income		363,236	347,282	720,278	679,805
Net income from Islamic Banking business		38,338	40,412	81,795	79,640
Other operating income	18	162,633	136,527	312,265	239,622
Net Income		564,207	524,221	1,114,338	999,067
Other operating expenses	19	(217,396)	(206,082)	(434,703)	(404,732)
Operating profit before provision Allowance for losses on loans, advances and financing	20	346,811	318,139	679,635	594,335
Impairment loss		-	-	(33,209)	(1,009)
Share of profit after tax of equity accounted associated company		321,180	293,088	609,562	548,790
Profit before taxation (and zakat)		18,917	-	46,414	-
Taxation		340,097	293,088	655,976	548,790
Zakat		(82,849)	(78,801)	(156,833)	(146,397)
Net profit for the period		(13)	-	(29)	-
Attributable to:					
Equity holders of the parent		257,235	214,287	499,114	402,393
Minority Interest		(192)	443	(356)	283
Net profit for the period		257,235	214,287	499,114	402,393
Earnings per share - basic (sen)		17.8	14.8	34.5	27.7
Earnings per share - fully diluted (sen)		17.8	14.8	34.5	27.7

Hong Leong Bank Berhad

Condensed Financial Statements Unaudited Income Statement For The Financial Quarter Ended 31 December 2008

The Bank

	Note	Current Quarter Ended 31/12/2008 RM'000	Corresponding Quarter Ended 31/12/2007 RM'000	Current Period Ended 31/12/2008 RM'000	Corresponding Period Ended 31/12/2007 RM'000
Interest income	16	791,574	754,024	1,612,549	1,506,240
Interest expense	17	(428,177)	(407,906)	(889,467)	(827,848)
Net interest income		363,397	346,118	723,082	678,392
Net income from Islamic Banking business		-	-	-	-
Other operating income	18	144,904	135,804	266,214	242,278
Net Income		508,301	481,922	989,296	920,670
Other operating expenses	19	(199,766)	(189,872)	(400,221)	(373,963)
Operating profit before provision		308,535	292,050	589,075	546,707
Allowances for losses on loans and financing	20	(26,177)	(20,492)	(37,730)	(34,744)
Impairment loss		-	-	(33,209)	(1,009)
		282,358	271,558	518,136	510,954
Share of profit after tax of equity accounted associated companies		-	-	-	-
Profit before taxation (and zakat)		282,358	271,558	518,136	510,954
Taxation		(71,497)	(73,227)	(131,735)	(135,259)
Zakat		-	-	-	-
Profit after taxation		210,861	198,331	386,401	375,695
Profit attributable to shareholders		210,861	198,331	386,401	375,695
Earnings per share - basic (sen)		14.6	13.7	26.7	25.9
Earnings per share - fully diluted (sen)		14.6	13.7	26.7	25.9

Condensed Financial Statements
Hong Leong Bank Berhad

Unaudited Statement of Changes in Equity For The Financial Period Ended 31 December 2008

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	Total Shareholders' Equity RM'000			
As at 1 July 2008	1,580,107	539,664	1,823,644	(14,701)	2,720	35,529	1,821,618	(699,041)	5,089,540	43,698	5,133,238	
As previously stated	1,580,107	539,664	1,823,644	(14,701)	2,720	35,529	1,821,618	(699,041)	5,089,540	43,698	5,133,238	
As at 1 July 2008, as restated	1,580,107	539,664	1,823,644	(14,701)	2,720	35,529	1,821,618	(699,041)	5,089,540	43,698	5,133,238	
<i>Currency translation differences</i>	-	-	-	-	(75)	-	-	-	(75)	-	(75)	
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	(75)	-	-	-	(75)	-	(75)	
Investment of shares in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	
Net profit for the period	-	-	-	-	-	-	499,470	-	499,470	(356)	499,114	
Transfer to statutory reserve	-	-	18,938	-	-	-	(18,938)	-	-	-	-	
Dividend paid	-	-	-	-	-	-	(163,014)	-	(163,014)	-	(163,014)	
less: Treasury shares	-	-	-	-	-	-	-	(5)	(5)	-	(5)	
Net fair value changes in available for sale securities	-	-	-	(30,875)	-	-	-	-	(30,875)	-	(30,875)	
Options charge arising from ESOS granted	-	-	-	-	5,151	-	-	-	5,151	-	5,151	
Closing Balance @31 Dec 08	1,580,107	539,664	1,842,582	(45,576)	7,871	35,454	2,139,136	(699,046)	5,400,192	43,342	5,443,534	
As at 1 July 2007	1,580,107	539,664	1,791,566	(9,508)	-	39,111	1,369,223	(695,111)	4,815,052	43,655	4,658,707	
As previously stated	1,580,107	539,664	1,791,566	(9,508)	-	39,111	1,369,223	(695,111)	4,815,052	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)	4,815,052	43,655	4,658,707	
<i>Currency translation differences</i>	-	-	-	-	-	(3,582)	-	-	(3,582)	-	(3,582)	
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	-	(3,582)	-	-	(3,582)	-	(3,582)	
Investment of shares in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	
Net profit for the period	-	-	-	-	-	-	402,110	-	402,110	283	402,393	
Transfer to statutory reserve	-	-	15,479	-	-	-	(15,479)	-	-	-	-	
Dividend paid	-	-	-	-	-	-	(160,840)	-	(160,840)	-	(160,840)	
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	
less: Treasury shares	-	-	-	-	-	-	-	(3,923)	(3,923)	-	(3,923)	
Net fair value changes in available for sale securities	-	-	-	(751)	-	-	-	-	(751)	-	(751)	
Shares in subsidiary issued to minority interest	-	-	-	-	557	-	-	-	557	-	557	
Closing Balance @ 31 Dec 07	1,580,107	539,664	1,807,045	(10,259)	557	35,529	1,595,014	(699,034)	4,848,623	43,838	4,892,561	

Condensed Financial Statements
Hong Leong Bank Berhad
Unaudited Statement of Changes in Equity For The Financial Period Ended 31 December 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 2008	1,580,107	539,664	1,741,612	(14,663)	2,720	35,529	1,737,205	(699,041)	4,923,133
As previously stated									
Prior Year Adjustment									
As at 1 July 2008, as restated	1,580,107	539,664	1,741,612	(14,663)	2,720	35,529	1,737,205	(699,041)	4,923,133
<i>Currency translation differences</i>	-	-	-	-	-	(3)	-	-	(3)
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	-	(3)	-	-	(3)
Net profit for the period	-	-	-	-	-	-	386,401	-	386,401
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	(163,014)	-	(163,014)
less: Purchase of Treasury Shares	-	-	-	-	-	-	-	(5)	(5)
Net fair value changes in available for sale securities	-	-	-	(35,075)	-	-	-	-	(35,075)
Options charge arising from ESOS granted	-	-	-	-	5,151	-	-	-	5,151
Closing Balance @31 December 2008	1,580,107	539,664	1,741,612	(49,738)	7,871	35,526	1,960,592	(699,046)	5,116,588
As at 1 July 2007									
As previously stated	1,580,107	539,664	1,741,612	(9,720)	-	39,111	1,298,020	(695,111)	4,493,683
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)	-	-	(3,580)
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	-	(3,582)	-	-	(3,582)
Net profit for the period	-	-	-	-	-	-	375,695	-	375,695
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	(160,840)	-	(160,840)
Purchase of treasury shares	-	-	-	-	-	-	-	(3,923)	(3,923)
Net fair value changes in available for sale securities	-	-	-	190	-	-	-	-	190
Options Balance @ 31 December 2007	-	-	-	-	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)	4,701,780

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Condensed Cash Flow Statement
For The Financial Period Ended 31 December 2008

	The Group		The Bank	
	Financial Period Ended 31/12/2008 RM'000	Financial Period Ended 31/12/2007 RM'000	Financial Period Ended 31/12/2008 RM'000	Financial Period Ended 31/12/2007 RM'000
Operating activities				
Profit before taxation	655,976	548,790	518,136	510,954
Adjustments for non-cash items	(13,110)	24,304	15,944	5,989
Operating profit before working capital changes	642,866	573,094	534,080	516,943
Income taxes and zakat paid	(159,263)	(137,774)	(147,404)	(126,810)
Net changes in working capital	(829,783)	1,968,075	(685,395)	1,531,349
Net cash flow from operating activities	(346,180)	2,403,395	(298,719)	1,921,482
Net cash flow from investing activities	(1,023,986)	272,718	(852,453)	252,012
Net cash flow from financing activities	(18,052)	(181,887)	(18,052)	(181,887)
Changes in cash and cash equivalents	(1,388,218)	2,494,226	(1,169,224)	1,991,607
Currency translation differences	(15)	613	(15)	613
Cash and cash equivalents at the beginning of year	22,264,674	15,989,916	20,392,853	14,880,849
Cash and cash equivalents at the end of period	20,876,441	18,484,755	19,223,614	16,873,069

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR FINANCIAL QUARTER ENDED 31 DECEMBER 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 2008.

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 2008 except for the first time adoption of FRS 128 , 'Investment in Associates'.

2 Status of matters giving rise to the auditor's qualified report in the preceding annual financial statements for the year ended 30 June 2008

There was no qualified report issued by the auditors in the preceding annual financial statements for the year ended 30 June 2008.

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 2008 other than as mentioned below:-

a) Share Buy-back

During the financial period ended 31 December 2008, the Bank purchased a total of 1,000 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 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-08	-	-	-	-	-
Aug-08	-	-	-	-	-
Sep-08	-	-	-	-	-
Oct-08	-	-	-	-	-
Nov-08	1,000	5.05	5.05	5.05	5,098
Dec-08	-	-	-	-	-
For the period	1,000	5.05	5.05	5.05	5,098

The total number of shares bought back, all of which were held as treasury shares as at 31 December 2008 amounted to 81,091,700 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 2008, the trust did not purchase any new shares. As at 31 December 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;
- (c) 12,835,000 share options at an exercise price of RM5.99; and
- (d) 250,000 share options at an exercise price of RM5.75

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 25% in respect of financial year ended 30 June 2008 amounting to RM163.0 million was paid on 18 November 2008.

8 Securities held at fair value through profit or loss

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000
Held-for-trading				
Money market instruments:				
Malaysian Government Treasury				
Bills	309,626	129,937	142,509	129,937
Malaysian Government Securities	99,211	195,689	99,211	195,689
Malaysian Government Investment				
Certificates	22,553	55,188	-	-
Bank Negara Malaysia (BNM)				
Bills	1,078,790	1,170,850	417,506	793,682
Bankers' Acceptance and Islamic				
Accepted bills	2,981,055	2,862,379	2,399,944	2,503,847
Negotiable Instruments of Deposit	1,242,188	306,353	941,753	265,676
Khazanah Bond	50,819	47,334	-	-
	<u>5,784,242</u>	<u>4,767,730</u>	<u>4,000,923</u>	<u>3,888,831</u>
Quoted securities:				
Shares in Malaysia *	-	74,052	-	72,336
Unquoted securities:				
Private Debt Securities	2,549	14,863	2,549	14,863
Total securities held-for-trading	<u>5,786,791</u>	<u>4,856,645</u>	<u>4,003,472</u>	<u>3,976,030</u>

* During the period, amount of RM 58 million (Group) RM57 million (Bank) was reclassified to available-for-sale portfolio

9 Securities available-for-sale

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000
Money market instruments:				
Malaysian Government Investment Certificates	178,906	1,505,134	10,298	852,909
Negotiable Instruments of Deposit	-	16,760	-	16,760
Other Government Securities	8,909	8,343	8,909	8,343
Khazanah Bonds	9,789	9,531	-	-
Government Treasury Bills	321,913	432,902	321,912	432,902
Malaysian Government Securities	162,417	1,880,380	162,417	1,880,380
Singapore Government securities	24,482	-	24,482	-
Cagamas Bonds	330,831	972,495	295,634	873,474
	<u>1,037,247</u>	<u>4,825,545</u>	<u>823,652</u>	<u>4,064,768</u>
Quoted Securities:				
Shares and Convertible Loan				
Stocks *	62,361	3,039	61,372	3,039
Foreign Currency Bonds	1,081,709	769,054	1,072,094	769,054
Unquoted securities:				
Private Debt Securities	221,589	231,446	164,898	167,693
Total securities available-for-sale	<u>2,402,906</u>	<u>5,829,084</u>	<u>2,122,016</u>	<u>5,004,554</u>

* Includes amount transferred from Held-for-trading Group (RM56.9 million) and Bank (RM55.9 million)

10 Securities held-to-maturity

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000
Money market instruments:				
Malaysian Government Securities	1,938,265	752,186	1,938,265	752,186
Malaysian Government Investment Certificates	105,647	60,305	45,384	-
Cagamas bonds	309,939	230,314	309,939	230,314
Negotiable Instruments of Deposit	2,029,364	1,718,179	1,979,593	1,718,179
Khazanah Bonds	-	-	-	-
	<u>4,383,215</u>	<u>2,760,984</u>	<u>4,273,181</u>	<u>2,700,679</u>
Quoted securities:				
Foreign currency bonds	-	-	-	-
Unquoted securities:				
Shares	27,578	27,054	27,003	26,479
Private debt securities	201,453	211,518	135,489	145,441
Loan Stocks	2,554	2,845	2,554	2,845
	<u>231,585</u>	<u>241,417</u>	<u>165,046</u>	<u>174,765</u>
Total securities held-to-maturity	<u>4,614,800</u>	<u>3,002,401</u>	<u>4,438,227</u>	<u>2,875,444</u>

11 Loans, advances and financing

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000
Overdrafts	2,236,761	2,435,782	2,229,534	2,425,797
Term loans:				
- Housing and shop loans/financing	20,117,292	19,445,381	16,624,566	16,252,857
- Syndicated term loan/financing	1,495,044	1,422,294	1,302,534	1,206,734
- Hire purchase receivables	6,121,428	6,167,037	3,400,430	3,195,623
- Lease receivables	20,055	22,602	-	-
- Other term loans/financing	1,963,713	2,512,094	1,819,223	2,370,894
Credit/charge card receivables	2,041,951	1,925,986	2,041,951	1,925,986
Bills receivables	308,668	357,255	308,668	354,769
Trust receipts	125,224	139,725	125,224	139,725
Claims on customers under acceptance credits	2,910,272	3,057,364	2,726,842	2,861,952
Block discounting	8,416	8,422	8,416	8,396
Revolving credits	1,126,672	799,314	1,126,672	799,314
Staff loans:				
Directors	-	-	-	-
Staffs other than Directors	99,150	102,020	99,121	101,979
Other loans/financing	49,591	48,339	48,891	47,561
	<u>38,624,237</u>	<u>38,443,615</u>	<u>31,862,072</u>	<u>31,691,587</u>
Unearned interest and income	(3,219,112)	(3,001,136)	(634,285)	(581,463)
Gross loans, advances and financing	<u>35,405,125</u>	<u>35,442,479</u>	<u>31,227,787</u>	<u>31,110,124</u>
Fair value changes arising from fair value hedges	62,270	(35,717)	31,165	(21,063)
Allowance for bad and doubtful debts and financing:				
- General	(526,112)	(526,957)	(463,849)	(461,900)
- Specific	(363,472)	(345,781)	(334,425)	(320,954)
Net loans, advances and financing	<u><u>34,577,811</u></u>	<u><u>34,534,024</u></u>	<u><u>30,460,678</u></u>	<u><u>30,306,207</u></u>

11 Loans, advances and financing (continued)

11a By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000
Domestic non-bank financial institutions	125,770	122,659	105,432	102,211
Domestic business enterprises				
- Small and medium enterprises	3,317,970	3,505,565	3,061,531	3,160,983
- Others	6,895,175	7,200,936	6,254,751	6,590,822
Government and statutory bodies	418	1,592	365	1,533
Individuals	24,009,915	23,477,491	20,802,054	20,163,640
Other domestic entities	19,351	25,976	17,638	23,997
Foreign entities	1,036,526	1,108,260	986,016	1,066,938
Gross loans, advances and financing	<u>35,405,125</u>	<u>35,442,479</u>	<u>31,227,787</u>	<u>31,110,124</u>

11b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000
Fixed rate				
- Housing and shop loans/financing	890,725	1,634,343	405,461	1,125,875
- Hire purchase receivables	5,323,946	5,395,285	2,922,851	2,771,276
- Other fixed rate loan/financing	3,085,748	3,025,201	2,943,737	2,822,549
Variable rate				
- Base lending rate plus	23,369,492	22,468,590	22,403,852	21,471,366
- Cost plus	2,723,102	2,800,269	2,539,773	2,800,267
- Other variables rates	12,112	118,791	12,112	118,791
Gross loans, advances and financing	<u>35,405,125</u>	<u>35,442,479</u>	<u>31,227,787</u>	<u>31,110,124</u>

11 Loans, advances and financing (continued)

11c By economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000
Purchase of securities	336,932	517,205	336,571	516,773
Purchase of transport vehicles	5,018,601	5,017,181	2,769,662	2,584,272
Purchase of landed properties				
- residential	13,756,773	13,275,941	12,670,290	12,278,962
- non-residential	4,332,568	4,232,178	4,128,426	4,037,636
Personal use	2,547,044	2,363,560	2,489,552	2,303,164
Credit card	2,037,865	1,925,986	2,037,865	1,925,986
Purchase of consumer durables	61	128	61	126
Construction	450,130	541,258	421,435	506,570
Working capital	6,921,591	7,564,139	6,370,397	6,951,781
Others	3,560	4,903	3,528	4,854
Gross loans, advances and financing	<u>35,405,125</u>	<u>35,442,479</u>	<u>31,227,787</u>	<u>31,110,124</u>

11d Non-performing loans by purpose

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000
Purchase of securities	11,222	13,793	11,002	13,551
Purchase of transport vehicles	65,329	56,043	37,746	32,267
Purchase of landed properties				
- residential	234,906	229,221	216,374	212,736
- non-residential	71,037	79,537	70,049	78,597
Personal use	42,554	40,969	42,326	40,843
Credit card	35,361	28,751	35,361	28,751
Construction	33,237	38,592	32,584	38,430
Working capital	339,926	353,493	335,175	349,377
Others	3	3	3	3
	<u>833,575</u>	<u>840,402</u>	<u>780,620</u>	<u>794,555</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 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000
At beginning	840,402	1,033,380	794,555	970,373
Non-performing during the period/year	1,276,671	2,594,538	1,182,830	2,408,810
Reclassified as performing	(1,065,872)	(2,195,316)	(990,674)	(2,041,874)
Amount written back in respect of recoveries	(131,312)	(332,256)	(119,877)	(302,442)
Amount written off	(86,294)	(261,664)	(86,194)	(242,032)
Exchange differences	(20)	1,720	(20)	1,720
Closing balance	833,575	840,402	780,620	794,555
Specific allowance	(363,472)	(345,781)	(334,425)	(320,954)
Net non-performing loans, advances and financing	<u>470,103</u>	<u>494,621</u>	<u>446,195</u>	<u>473,601</u>
Net NPL as a % of gross loans, advances and financing less specific allowance	<u>1.3%</u>	<u>1.4%</u>	<u>1.4%</u>	<u>1.5%</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 Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000
<u>General Allowance</u>				
At beginning	526,957	481,746	461,900	425,782
Net provisions made during the year	(825)	44,443	1,969	35,350
Exchange differences	(20)	768	(20)	768
Closing balance	<u>526,112</u>	<u>526,957</u>	<u>463,849</u>	<u>461,900</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	345,781	412,760	320,954	380,780
Allowance made during the period/year	142,878	298,603	135,436	276,805
Amount written back in respect of recoveries	(38,873)	(105,139)	(35,751)	(95,820)
Amount written off	(86,294)	(261,663)	(86,195)	(242,031)
Exchange differences	(20)	1,220	(20)	1,220
Closing balance	<u>363,472</u>	<u>345,781</u>	<u>334,424</u>	<u>320,954</u>

12 Other assets

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000
Interest/Income receivable	113,466	140,316	108,391	134,075
* Other debtors, deposits and prepayments	1,119,335	1,738,749	1,265,890	1,961,638
Foreclosed properties	2,595	2,595	2,595	2,595
	<u>1,235,396</u>	<u>1,881,660</u>	<u>1,376,876</u>	<u>2,098,308</u>

* During the period, the partial payment for the subscription of shares in Chengdu Bank of RM738M in June 08 was reclassified to Investment in associate upon completion of the Proposed subscription of 20% Equity Interest in Chengdu on 21 July 2008.

13 Deposits from customers

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000
<u>By type of customer</u>				
Government and statutory bodies	1,906,317	985,187	1,283,348	380,161
Business enterprises	30,785,240	30,087,451	26,766,295	25,997,556
Individuals	32,009,174	30,877,001	30,532,106	29,592,888
Others	1,057,874	598,308	929,030	496,055
	<u>65,758,605</u>	<u>62,547,947</u>	<u>59,510,779</u>	<u>56,466,660</u>

14 Deposits and placements of banks and other financial institution

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000
Licensed banks	2,513,499	5,891,409	2,296,499	5,302,409
Other financial institutions	468,842	481,167	39,440	291,167
	<u>2,982,341</u>	<u>6,372,576</u>	<u>2,335,939</u>	<u>5,593,576</u>

15 Other liabilities

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000
Interest/Profit payable	321,769	202,400	273,292	170,809
Zakat	30	79	-	-
Post employment benefits obligation				
- defined contribution plan	3,266	3,385	3,266	3,385
Loan advance payment	634,862	525,480	607,523	503,663
Amount due to subsidiary companies	-	-	42,576	42,593
Others	1,562,047	1,359,265	1,460,626	1,290,071
	<u>2,521,974</u>	<u>2,090,609</u>	<u>2,387,283</u>	<u>2,010,521</u>

16 Interest income

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
	RM'000	RM'000	RM'000	RM'000
Group				
Loan, advances and financing				
- Interest income other than recoveries from NPLs	456,167	433,239	905,634	839,478
- Recoveries from NPLs	25,892	14,885	53,119	46,312
Money at call and deposit placements with financial institutions	191,584	186,302	406,927	392,924
Securities purchased under resale agreements	-	19,146	1,088	36,573
Securities held-for-trading	58,965	61,808	112,857	116,496
Securities available-for-sale	21,073	29,824	52,969	56,110
Securities held-to-maturity	36,580	8,473	73,172	17,735
Others	507	1,996	1,181	4,237
	<u>790,768</u>	<u>755,673</u>	<u>1,606,947</u>	<u>1,509,865</u>
Amortisation of premium less accretion of discount	4,343	1,303	8,265	849
Interest suspended	(4,578)	(2,859)	(7,710)	(5,113)
	<u>790,533</u>	<u>754,117</u>	<u>1,607,502</u>	<u>1,505,601</u>

16 Interest income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2008 RM'000	31/12/2007 RM'000	31/12/2008 RM'000	31/12/2007 RM'000
Bank				
Loan, advances and financing				
- Interest income other than recoveries from NPLs	456,993	433,144	909,827	839,219
- Recoveries from NPLs	25,892	14,885	53,119	46,312
Money at call and deposit placements with financial institutions	192,047	186,302	408,075	393,609
Securities purchased under resale agreements	-	19,146	1,088	36,573
Securities held-for-trading	58,977	61,810	113,082	116,709
Securities available-for-sale	20,838	29,824	52,510	56,110
Securities held-to-maturity	36,580	8,473	73,172	17,735
Others	482	1,996	1,121	4,237
	<u>791,809</u>	<u>755,580</u>	<u>1,611,994</u>	<u>1,510,504</u>
Amortisation of premium less accretion of discount	4,343	1,303	8,265	849
Interest suspended	(4,578)	(2,859)	(7,710)	(5,113)
	<u>791,574</u>	<u>754,024</u>	<u>1,612,549</u>	<u>1,506,240</u>

17 Interest expense

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
	RM'000	RM'000	RM'000	RM'000
Group				
Deposits and placements of banks and other financial institutions	20,403	28,299	59,134	61,313
Deposits from customers	303,593	266,998	597,061	530,032
Short term corporate placements	93,644	97,945	212,440	203,915
Subordinated bonds	9,464	8,681	18,052	17,553
Others	193	4,912	537	12,983
	<u>427,297</u>	<u>406,835</u>	<u>887,224</u>	<u>825,796</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
	RM'000	RM'000	RM'000	RM'000
Bank				
Deposits and placements of banks and other financial institutions	20,879	28,299	60,295	61,999
Deposits from customers	303,997	268,069	598,143	531,398
Short term corporate placements	93,644	97,945	212,440	203,915
Subordinated bonds	9,464	8,681	18,052	17,553
Others	193	4,912	537	12,983
	<u>428,177</u>	<u>407,906</u>	<u>889,467</u>	<u>827,848</u>

18 Other operating income

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2008 RM'000	31/12/2007 RM'000	31/12/2008 RM'000	31/12/2007 RM'000
Group				
(a) <u>Fee income:</u>				
Commissions	15,517	25,537	35,298	50,671
Service charges and fees	5,047	10,104	10,842	19,087
Guarantee fees	1,370	1,449	2,826	2,992
Other fee income	47,818	57,445	95,419	99,351
	<u>69,752</u>	<u>94,535</u>	<u>144,385</u>	<u>172,101</u>
(b) <u>Gain/loss arising from sale of securities:</u>				
Net gain from sale of securities held-for-trading and derivatives	(7,422)	(8,686)	3,847	10,811
Net gain from sale of securities available-for-sale	9,397	141	26,717	2,580
Net gain from redemption of securities held-to-maturity	52	-	130	2
	<u>2,027</u>	<u>(8,545)</u>	<u>30,694</u>	<u>13,393</u>
(c) <u>Gross dividend income from:</u>				
Subsidiary companies	-	-	-	-
Securities held at fair value through profit or loss	537	973	1,600	2,965
Securities available-for-sale	-	12	12	12
Securities held to maturity	240	313	3,423	2,653
	<u>777</u>	<u>1,298</u>	<u>5,035</u>	<u>5,630</u>

18 Other operating income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2008 RM'000	31/12/2007 RM'000	31/12/2008 RM'000	31/12/2007 RM'000
(d) <u>Net unrealised gains/(losses) on revaluation of securities held-for-trading and derivatives</u>	12,392	7,515	19,061	4,354
(e) <u>Net realised gains/(losses) on fair value changes arising from fair value hedges</u>	(3,509)	(6,268)	(2,279)	(15,222)
(f) <u>Net unrealised gains/(losses) on fair value changes arising from fair value hedges</u>	8,675	581	(4,286)	(5,645)
(g) <u>Other income:</u>				
Foreign exchange gain	68,058	39,535	109,837	51,733
Rental income	56	52	80	220
Gain on disposal of property and equipment (net)	109	118	353	673
Profit from Takaful investments	1,253	4,426	2,636	5,704
Gain from disposal of subsidiary	-	-	-	-
Others	3,043	3,280	6,749	6,681
	<u>72,519</u>	<u>47,411</u>	<u>119,655</u>	<u>65,011</u>
Total other operating income	<u>162,633</u>	<u>136,527</u>	<u>312,265</u>	<u>239,622</u>

18 Other operating income

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2008 RM'000	31/12/2007 RM'000	31/12/2008 RM'000	31/12/2007 RM'000
Bank				
(a) Fee income:				
Commissions	15,493	25,537	35,243	50,670
Service charges and fees	5,047	10,104	10,842	19,087
Guarantee fees	1,370	1,449	2,826	2,992
Other fee income	47,836	57,462	95,454	99,383
	<u>69,746</u>	<u>94,552</u>	<u>144,365</u>	<u>172,132</u>
(b) Gain/loss arising from sale of securities:				
Net gain from sale of securities held-for-trading and derivatives	(7,422)	(8,686)	3,847	10,811
Net gain from sale of securities available-for-sale	9,397	141	26,717	2,580
Net gain from redemption of securities held-to-maturity	52	-	130	2
	<u>2,027</u>	<u>(8,545)</u>	<u>30,694</u>	<u>13,393</u>
(c) Gross dividend income from:				
Subsidiary companies	-	-	-	-
Securities held-for-trading	537	973	1,600	2,965
Securities available-for-sale	-	12	12	12
Securities held to maturity	240	313	3,423	2,653
	<u>777</u>	<u>1,298</u>	<u>5,035</u>	<u>5,630</u>

18 Other operating income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2008 RM'000	31/12/2007 RM'000	31/12/2008 RM'000	31/12/2007 RM'000
(d) <u>Net unrealised gains/(losses) on revaluation of securities held-for-trading and derivatives</u>	(10,695)	7,515	(34,718)	4,354
(e) <u>Net realised gains/(losses) on fair value changes arising from fair value hedges</u>	(3,509)	(6,268)	(2,279)	(15,222)
(f) <u>Net unrealised gains/(losses) on fair value changes arising from fair value hedges</u>	8,508	3,412	(457)	2,207
(g) <u>Other income:</u>				
Foreign exchange gain	68,096	39,535	109,793	51,733
Rental income	56	52	80	220
Gain on disposal of property and equipment (net)	109	118	353	673
Gain from disposal of subsidiary	6,447	-	6,447	-
Others	3,342	4,135	6,901	7,158
	<u>78,050</u>	<u>43,840</u>	<u>123,574</u>	<u>59,784</u>
Total other operating income	<u>144,904</u>	<u>135,804</u>	<u>266,214</u>	<u>242,278</u>

19 Other operating expenses

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2008 RM'000	31/12/2007 RM'000	31/12/2008 RM'000	31/12/2007 RM'000
Group				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	98,243	93,231	195,123	184,763
- Others	9,468	8,418	19,043	15,895
<u>Establishment costs</u>				
- Depreciation equipment equipment	11,620	11,377	23,255	21,382
- Depreciation of Prepaid Lease	21	27	42	52
- Amortisation of intangible assets	3,499	3,211	6,996	6,240
- Rental	11,092	10,547	21,613	21,102
- Information technology expenses	13,458	10,129	23,973	20,342
- Others	9,008	11,086	18,671	20,906
<u>Marketing expenses</u>				
- Advertisement and publicity	13,371	13,191	29,889	23,836
- Handling fees	2,700	4,165	6,343	8,084
- Others	12,567	10,599	25,945	20,656
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,388	2,734	5,177	4,918
- Stationery & printing	3,717	3,405	6,828	7,043
- Others	26,244	23,962	51,805	49,513
	<u>217,396</u>	<u>206,082</u>	<u>434,703</u>	<u>404,732</u>

19 Other operating expenses (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
	RM'000	RM'000	RM'000	RM'000
Bank				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	86,944	85,719	173,111	169,648
- Others	8,289	7,543	16,942	14,184
<u>Establishment costs</u>				
- Depreciation equipment	11,359	11,143	22,742	20,909
- Depreciation of Prepaid Lease	18	15	37	38
- Amortisation of intangible assets	3,378	3,116	6,758	6,053
- Rental	10,494	10,011	20,428	20,005
- Information technology expenses	13,170	9,748	23,490	19,544
- Others	7,643	9,589	15,792	18,199
<u>Marketing expenses</u>				
- Advertisement and publicity	13,208	13,027	29,671	23,579
- Handling fees	2,059	2,112	4,653	3,706
- Others	11,925	10,501	25,067	20,427
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,364	2,715	5,130	4,879
- Stationery & printing	3,639	3,383	6,712	6,985
- Others	25,276	21,249	49,688	45,807
	<u>199,766</u>	<u>189,872</u>	<u>400,221</u>	<u>373,963</u>

20 Allowance for losses on loans, advances and financing

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
	RM'000	RM'000	RM'000	RM'000
Group				
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	(5,803)	14,837	(825)	20,565
- specific allowance	72,939	64,727	142,878	124,712
- specific allowance written back	(19,313)	(28,645)	(38,873)	(54,848)
Bad debts and financing written off	2,100	2,242	4,504	3,631
Bad debts and financing recovery	(24,292)	(28,110)	(70,820)	(49,524)
	<u>25,631</u>	<u>25,051</u>	<u>36,864</u>	<u>44,536</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
	RM'000	RM'000	RM'000	RM'000
Bank				
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	(4,204)	12,057	1,969	15,439
- specific allowance	68,951	58,907	135,436	113,086
- specific allowance written back	(17,570)	(26,751)	(35,751)	(50,687)
Bad debts and financing written off	1,987	2,178	4,298	3,478
Bad debts and financing recovery	(22,987)	(25,899)	(68,222)	(46,572)
	<u>26,177</u>	<u>20,492</u>	<u>37,730</u>	<u>34,744</u>

21 Capital adequacy

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 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	2,139,136	1,821,618	1,960,592	1,737,205
Other reserves	1,885,907	1,861,893	1,785,009	1,779,861
Less: Treasury shares	(699,046)	(699,041)	(699,046)	(699,041)
Less: Deferred tax	(184,292)	(173,153)	(165,877)	(155,303)
Add: Minority interest	43,342	43,698	-	-
Total tier-1 capital	5,304,818	4,974,786	5,000,448	4,782,493
Tier-2 capital				
General provision	526,112	526,957	463,849	461,900
Subordinated bonds	690,500	653,500	690,500	653,500
Total tier-2 capital	1,216,612	1,180,457	1,154,349	1,115,400
Total capital	6,521,430	6,155,243	6,154,797	5,897,893
Less: Investment in subsidiary companies	-	-	(575,746)	(592,041)
Less: Investment in associated company	(992,974)	-	(946,560)	-
Less: Holdings of other banking institution's capital instruments	(95,462)	(31,858)	(95,462)	(31,858)
Total capital base	5,432,994	6,123,385	4,537,029	5,273,994
<u>Before deducting proposed dividends</u>				
Core Capital Ratio	13.74%	13.30%	13.01% *	14.29%
Risk-weighted Capital Ratio	14.07%	16.36%	13.01%	15.76%
<u>After deducting proposed dividends</u>				
Core Capital Ratio	13.47%	12.84%	12.72% *	13.78%
Risk-weighted Capital Ratio	13.81%	15.91%	12.72%	15.25%

*As stipulated under Bank Negara Guidelines, the Bank's Core Capital Ratio is equal to the Risk-weighted Capital Ratio as the deduction from Total Capital is more than Eligible Tier 2 Capital.

The profit after tax of the Group and the Bank for the half year ended 31 December 2008, 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 2008 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 31/12/2008

	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	313,008	3,097	246,849	1,253	564,207
Inter-segment revenue	48,635	61,762	(110,397)	-	(0)
Segment revenue	<u>361,643</u>	<u>64,859</u>	<u>136,452</u>	<u>1,253</u>	<u>564,207</u>
Segment profit before taxation	169,555	37,192	115,038	(605)	321,180
Share of profit after tax of equity accounted associated company					18,917
Profit before taxation					<u>340,097</u>
Taxation and zakat					<u>(82,862)</u>
Profit after taxation					<u>257,235</u>

Financial Period ended 31/12/2008

	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	626,117	28,393	457,192	2,636	1,114,338
Inter-segment revenue	99,689	107,104	(206,793)	-	-
Segment revenue	<u>725,806</u>	<u>135,497</u>	<u>250,399</u>	<u>2,636</u>	<u>1,114,338</u>
Segment profit before taxation	343,821	92,418	174,276	(953)	609,562
Share of profit after tax of equity accounted associated company					46,414
Profit before taxation					<u>655,976</u>
Taxation and zakat					<u>(156,862)</u>
Profit after taxation					<u>499,114</u>
Segment assets	27,588,586	7,218,646	40,999,169	264,879	76,071,280
Unallocated assets					3,221,714
Total assets					<u>79,292,994</u>

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

	Corresponding Quarter Ended 31/12/2007					
	Personal	Wholesale Banking			Total RM'000	
	Financial Services RM'000	Corporate & Commercial RM'000	Treasury RM'000	Takaful Business 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	Wholesale Banking			Total RM'000	
	Financial Services RM'000	Corporate & Commercial RM'000	Treasury RM'000	Takaful Business 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)	-	(0)	
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	
Unallocated assets					2,426,591	
Total assets					<u>67,793,104</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 9 January 2009, Hong Leong Bank Berhad ("HLB") announced that The State Bank of Vietnam has granted a license to HLB to incorporate and operate a 100% wholly owned commercial bank in Vietnam. The 100% wholly owned commercial bank shall be known as Hong Leong Bank Vietnam Limited (HLBVN). The charter capital of HLBVN is 1,000,000,000,000 (one trillion) Vietnamese Dong which is approximately equivalent to RM205 million at current exchange rates. HLB is required to incorporate HLBVN and commence operations in Vietnam within 12 months from the date of issuance of the aforesaid license.

With the establishment of a bank in Vietnam, HLB will be able to tap into the promising and expanding market of Vietnam, which has a population of over 85 million people. This is part of HLB's long term goal of establishing a bigger presence in Asia.

(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 2008 except for the following :-

(i) 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. On 10 December 2008, HLB announced that the liquidator of WTP had convened a final meeting to conclude the members voluntary liquidation of WTP and a return by the liquidator relating to the final meeting was lodged on 10 December 2008 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, WTP will be dissolved.

(ii) On 28 August 2008, HLB announced that it will be carrying out an internal reorganisation of certain of its direct and indirect wholly-owned subsidiaries to streamline the corporate structure of HLB for better efficiency ("Internal Reorganisation").

Pursuant to the Internal Reorganisation, HLF Credit (Perak) Bhd ("HLF Credit"), currently an indirect wholly-owned subsidiary of HLB, will be transferred to become a direct wholly-owned subsidiary of HLB. Thereafter, certain wholly-owned subsidiaries of HLB, namely Gensource Sdn Bhd, Hong Leong Leasing Sdn Bhd, HLB Realty Sdn Bhd, HL Leasing Sdn Bhd and WTB Corporation Sdn Bhd will be transferred to become direct wholly-owned subsidiaries of HLF Credit. In addition, Chew Geok Lin Finance Sdn Bhd, a direct wholly-owned subsidiary of WTB Corporation Sdn Bhd, will be transferred to also become a direct wholly-owned subsidiary of HLF Credit. The considerations for the transfer of all the companies concerned will be calculated based on the net assets of the companies as at 30 June 2008 and satisfied by way of intercompany loans.

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 31/12/2008			Financial Year Ended 30/06/2008		
	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	213,174	213,174	198,910	207,396	207,396	193,849
Transaction-related contingent items	294,162	147,081	132,662	287,933	143,966	129,875
Short-term self liquidating trade-related contingencies	383,733	76,746	71,776	741,691	148,338	142,375
Other assets sold with recourse and commitment	-	-	-	-	-	-
Underwriting Obligations	-	-	-	-	-	-
Irrevocable commitments to extend credit:						
- maturity more than 1 year	4,211,783	2,105,892	1,774,848	4,279,447	2,139,724	1,743,385
- maturity less than 1 year	14,267,924	2,853,584	2,350,790	13,458,683	2,691,736	2,189,391
Foreign exchange related contracts	21,336,134	1,076,196	635,714	24,024,375	1,016,617	601,625
Interest rate related contracts	33,640,496	974,315	494,801	38,339,797	411,764	165,943
Equity related contracts	190,407	13,806	13,151	302,223	22,243	12,583
Miscellaneous	-	-	-	-	-	-
Total	74,537,813	7,460,794	5,672,652	81,641,545	6,781,784	5,179,026

25 **Commitments and contingencies** (continued)

	Financial Period Ended 31/12/2008			Financial Year Ended 30/06/2008		
	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	213,174	213,174	198,910	207,396	207,396	193,849
Transaction-related contingent items	246,620	123,310	108,969	253,585	126,792	112,744
Short-term self liquidating trade-related contingencies	382,892	76,578	71,650	737,476	147,495	141,583
Underwriting Obligations	-	-	-	-	-	-
Irrevocable commitments to extend credit:						
- maturity more than 1 year	3,519,427	1,759,714	1,471,173	3,554,073	1,777,037	1,440,859
- maturity less than 1 year	14,126,692	2,825,338	2,323,894	13,256,242	2,651,248	2,149,575
Foreign exchange related contracts	21,336,134	1,076,196	635,714	24,024,375	1,016,617	601,625
Interest rate related contracts	33,640,496	974,315	494,801	38,339,797	411,764	165,943
Equity related contracts	190,407	13,806	13,151	302,223	22,243	12,583
Miscellaneous	-	-	-	-	-	-
Total	73,655,842	7,062,431	5,318,262	80,675,167	6,360,592	4,818,761

26 a) **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.

b) **Connected Parties (CP) Exposures as at 31 December 2008**

	The Group RM 000	The Bank RM 000
Aggregate Value of Outstanding Credit Exposures with Connected Parties	932,146	929,935
Outstanding Credit Exposures to Connected Parties as a Proportion of Total Credit Exposures (%)	2.62%	2.96%
Outstanding Credit Exposures with Connected Parties Which is Non-Performing or in Default as a Proportion of Total Credit Exposures (%)	0.001%	0.001%

The connected parties exposure are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

27 a) Interest/Profit rate risk

Group As at 31 December 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	19,877,669					998,772		20,876,441	3.2
Deposits & placement with banks & other financial institution		6,876,936	163,336					7,040,272	3.2
Securities purchased under resale agreement	-	-						-	
Securities held at fair value through profit and loss							5,786,791	5,786,791	3.7
Securities available-for-sale	236,344	465,962	465,110	1,144,201	28,929	62,361	-	2,402,906	4.1
Securities held-to-maturity	299,799	1,904,542	459,215	1,921,112	-	30,132		4,614,800	3.7
Loans, advances and financing									
- performing	24,145,363	1,124,860	671,008	3,732,185	4,960,404	(519,060)		34,114,760	6.7
- non-performing						463,051		463,051	
Other assets						1,235,396		1,235,396	
Statutory deposits with BNM						1,068,764		1,068,764	
Investment in subsidiary						-		-	
Investment in associated companies						992,974		992,974	
Prepaid land lease payments						6,244		6,244	
Property, plant and equipment						312,350		312,350	
Intangible assets						27,634		27,634	
Deferred tax assets						184,292		184,292	
General and Family Takaful fund assets						166,319		166,319	
Total assets	44,559,175	10,372,299	1,758,668	6,797,499	4,989,333	5,029,229	5,786,791	79,292,994	
Liabilities									
Deposits from customers	36,929,227	5,448,368	15,851,669	1,204,883	-	6,324,458	-	65,758,605	2.7
Deposits & placement of banks & other financial institutions	2,902,545	69,088	9,534	-	-	1,174		2,982,341	3.2
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-		-	-
Bills and acceptance payable	18,585	64,379	41,627	-	-	1,500,798		1,625,389	3.5
Other liabilities						2,521,974		2,521,974	-
Subordinated obligations				727,766				727,766	5.2
Short term syndicated loan								-	
Provision for taxation						67,067		67,067	
General and Family Takaful fund liabilities						4,565		4,565	
General and Family Takaful fund policyholders' fund						161,753		161,753	
Total liabilities	39,850,358	5,581,834	15,902,831	1,932,649	-	10,581,789	-	73,849,460	
Shareholders funds						5,443,534	-	5,443,534	
Total liabilities and Shareholders' funds	39,850,358	5,581,834	15,902,831	1,932,649	-	16,025,323	-	79,292,994	
On-balance sheet profit sensitivity gap	4,708,818	4,790,465	(14,144,163)	4,864,850	4,989,333				

27 b) 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 and 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
Short Term Corporate Placements	-	-	-					-	
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	
Minority interest								-	
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				

27 c) Interest/Profit rate risk

Bank As at 31 December 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	18,470,941					752,673		19,223,614	3.2
Deposits & placement with banks & other financial instrument		6,876,934	163,336					7,040,270	3.2
Securities purchased under resale agreement	-	-						-	
Securities held at fair value through profit and loss							4,003,472	4,003,472	3.7
Securities available-for-sale	234,343	461,960	441,194	923,147	-	61,372		2,122,016	4.1
Securities held-to-maturity	299,799	1,854,771	434,217	1,819,882	-	29,557		4,438,227	3.7
Loans, advances and financing									
- performing	23,181,481	1,098,708	543,646	2,156,821	3,497,676	(457,156)		30,021,175	6.7
- non-performing						439,502		439,502	
Other assets						1,376,876		1,376,876	
Statutory deposits with BNM						931,100		931,100	
Investment in subsidiary						575,746		575,746	
Investment in associated companies						946,560		946,560	
Prepaid land lease payments						5,366		5,366	
Property, plant and equipment						296,223		296,223	
Intangible assets						26,059		26,059	
Deferred tax assets						165,877		165,877	
Total assets	42,186,564	10,292,374	1,582,392	4,899,850	3,497,676	5,149,755	4,003,472	71,612,084	
Liabilities									
Deposits from customers	33,054,914	7,301,324	12,197,934	995,955	-	5,960,651	-	59,510,779	2.7
Deposits & placement of banks & other financial institutions	2,256,143	69,088	9,534	-	-	1,174		2,335,939	3.2
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-		-	-
Bills and acceptance payable	5,423	11,937	6,857	-	-	1,500,756		1,524,972	2.8
Short Term Corporate Placements	-	-	-					-	
Other liabilities						2,387,283		2,387,283	
Subordinated obligations				727,766				727,766	5.2
Short term syndicated loan								-	-
Provision for taxation						8,757		8,757	
General and Family Takaful fund liabilities						-		-	
General and Family Takaful fund policyholders' fund						-		-	
Total liabilities	35,316,480	7,382,349	12,214,325	1,723,721	-	9,858,621	-	66,495,496	
Shareholders funds						5,116,588		5,116,588	
Total liabilities and Shareholders' funds	35,316,480	7,382,349	12,214,325	1,723,721	-	14,975,209	-	71,612,084	
On-balance sheet profit sensitivity gap	6,870,084	2,910,025	(10,631,933)	3,176,130	3,497,676				

27 d) Interest/Profit rate risk

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					-	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
Short Term Corporate Placements	-	-	-					-	
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				

28 Operations of Islamic Banking

28a Unaudited Balance Sheet as at 31 December 2008

	<u>The Group</u>	
	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000
ASSETS		
Cash and short-term funds	1,792,789	1,871,430
Deposits and placements with bank and other financial institutions	34,907	-
Securities - Held-for-trading	1,831,990	927,570
Securities - Available-for-trading	213,594	780,812
Securities - Held-to-maturity	176,573	126,957
Financing, advances and other financing	4,085,654	4,242,329
Other assets	5,380	7,054
Statutory deposits with Bank Negara Malaysia	137,664	144,964
Property, plant and equipment	2,028	1,854
Deferred tax assets	18,415	17,850
Total Assets	8,298,994	8,120,820
<u>LIABILITIES AND SHAREHOLDERS' FUNDS</u>		
Deposits from customers	6,360,344	6,208,081
Deposits and placements of banks and other financial institutions	831,307	779,000
Obligations on securities sold under purchase agreements	-	-
Bills and acceptance payable	100,417	110,480
Other liabilities	291,650	351,119
Provision for taxation	9,625	7,408
Total Liabilities	7,593,343	7,456,088
Islamic banking capital fund	500,000	500,000
Reserves	205,651	164,732
Islamic Banking Funds	705,651	664,732
Total Liabilities and Islamic Banking Funds	8,298,994	8,120,820
COMMITMENTS AND CONTINGENCIES	881,971	966,378

28 Operations of Islamic Banking (continued)

28b Unaudited Income Statements for the 2nd Quarter and Cumulative 6 Months Ended 31 December 2008

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2008 RM'000	31/12/2007 RM'000	31/12/2008 RM'000	31/12/2007 RM'000
Group				
Income derive from investment of deposits' funds and others	90,397	71,557	184,018	143,217
Income derive from investment of shareholders' funds	7,467	7,951	19,550	15,914
Allowance for losses on financing	54	(6,229)	(145)	(11,736)
Provision for commitments and contingencies	-	-	-	-
Impairment loss	-	-	-	-
Profit equalisation reserve	(7,050)	(249)	(11,227)	794
Other expenses directly attributable to the investment of the deposits and shareholders' funds	-	-	-	-
Total distributable income	90,868	73,030	192,196	148,189
Income attributable to deposits	(52,473)	(38,850)	(110,543)	(80,286)
Total net income	38,395	34,180	81,653	67,903
Other operating expenses	(15,827)	(12,967)	(31,088)	(26,059)
Profit before taxation and zakat	22,568	21,213	50,565	41,844
Zakat	(13)	-	(29)	-
Taxation	(5,660)	(5,482)	(12,660)	(10,887)
Profit after taxation and zakat	16,895	15,731	37,876	30,957
Profit attributable to shareholders	16,895	15,731	37,876	30,957
Earning per share - basic (sen)	3.38	3.15	7.58	6.19
Earning per share - fully diluted (sen)	3.38	3.15	7.58	6.19

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

28c Financing, advances and other financing

(i) **By type**

	<u>The Group</u>	
	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000
Cash line	8,233	11,230
Term financing		
- Housing financing	3,492,726	3,192,524
- Hire purchase receivable	2,720,998	2,971,414
- Lease receivable	18,632	21,080
- Other term financing	337,000	356,760
Claims on customers under acceptance credit	183,430	197,898
Staff financing	29	41
Revolving credit	-	26
Others	701	778
	<u>6,761,749</u>	<u>6,751,751</u>
Less: Unearned income	(2,584,817)	(2,419,663)
	<u>4,176,932</u>	<u>4,332,088</u>
Less: Allowance for bad and doubtful financing		
- General	(62,231)	(65,025)
- Specific	(29,047)	(24,734)
	<u>(91,278)</u>	<u>(89,759)</u>
Total net financing, advances and other financing	<u>4,085,654</u>	<u>4,242,329</u>

(ii) **By contract**

	<u>The Group</u>	
	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000
Bai' Bithaman Ajil (deferred payment sale)	1,565,955	1,484,449
Ijarah (lease)	17,906	20,028
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,409,641	2,629,727
Murabahah (cost-plus)	183,430	197,884
	<u>4,176,932</u>	<u>4,332,088</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 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000
At beginning	45,754	61,070
Classified as non-performing during the period	93,841	185,715
Reclassified as performing	(75,198)	(153,442)
Amount recovered	(11,435)	(29,708)
Amount written off	(7)	(17,881)
At end	<u>52,955</u>	<u>45,754</u>
Net non-performing financing, advances and other financing	<u>23,908</u>	<u>21,020</u>
Ratio of net non-performing financing, advances and other financing to total net financing, advances and other financing	<u>0.6%</u>	<u>0.5%</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 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000
General allowance		
At beginning	65,025	55,932
Allowance made / (written back)	(2,794)	9,093
At end	<u>62,231</u>	<u>65,025</u>
As % of gross financing, advances and other financing less specific allowance	<u>1.5%</u>	<u>1.5%</u>
Specific allowance		
At beginning	24,734	29,917
Allowance made / (written back)	7,442	21,780
Amount recovered	(3,122)	(9,082)
Amount written off	(7)	(17,881)
At end	<u>29,047</u>	<u>24,734</u>

28 Operations of Islamic Banking (continued)

28d Deposits from customer

By type of deposit

	<u>The Group</u>	
	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000
Non-Mudharabah		
Demand deposits	377,646	362,557
Saving deposits	565,186	555,853
Negotiable Islamic Debt Certificate	1,003,600	529,911
Others	-	-
	<u>1,946,432</u>	<u>1,448,321</u>
Mudharabah		
Demand deposits	-	-
Saving deposits	510,352	478,049
General investment deposits	1,608,503	1,635,080
Specific investment deposits	2,295,057	2,646,631
Others	-	-
	<u>4,413,912</u>	<u>4,759,760</u>
	<u>6,360,344</u>	<u>6,208,081</u>

**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 RM340.0 million for the current financial quarter ended 31 December 2008, an increase of RM47.0 million or 16% as compared to previous corresponding quarter. The increase in profitability was due to increase in net-income of RM40.0 million. However the above increase was mitigated by higher operating expenses of RM11.3 million and higher loan loss provision of RM0.6 million.

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

The Group pre-tax profit for the six months ended 31 December 2008 stood at RM656.0 million, an increase of RM107.2 million as compared to RM548.8 million in the previous corresponding period. Net interest income increased by RM40.5 million while non-interest income increased by RM72.6 million or 30%. Loan loss provision also lower by RM7.7 million. The increased in pre-tax profit was also contributed by RM46.4 million arising from share of profits in Bank of Chengdu Ltd. However, the above was mitigated by higher impairment loss.

2 Review of performance of current quarter against preceding quarter

For the current financial quarter, the Group recorded a pre-tax profit of RM340.0 million as compared to RM315.9 million in the preceding quarter, an increase of RM24.2 million mainly from higher net income of RM14.1 million.

3 Current year prospect

The Group continue to be cautiously optimistic on the outlook for the Bank despite the external head-winds from the US financial crisis and continuously slumping in commodity price. The Group will remain opportunistic 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 31/12/2008 RM'000	Corresponding Quarter Ended 31/12/2007 RM'000	Financial Period Ended 31/12/2008 RM'000	Financial Period Ended 31/12/2007 RM'000
The Group				
Malaysian income tax	80,711	76,292	157,005	145,428
Oversea tax	-	-	-	-
	<u>80,711</u>	<u>76,292</u>	<u>157,005</u>	<u>145,428</u>
Transfer from/(to) deferred taxation	2,138	2,509	(172)	969
	<u>82,849</u>	<u>78,801</u>	<u>156,833</u>	<u>146,397</u>

	Current Quarter Ended 31/12/2008 RM'000	Corresponding Quarter Ended 31/12/2007 RM'000	Financial Period Ended 31/12/2008 RM'000	Financial Period Ended 31/12/2007 RM'000
The Bank				
Malaysian income tax	68,826	70,830	130,617	133,792
Oversea tax	-	-	-	-
	<u>68,826</u>	<u>70,830</u>	<u>130,617</u>	<u>133,792</u>
Transfer from/(to) deferred taxation	2,671	2,397	1,118	1,467
	<u>71,497</u>	<u>73,227</u>	<u>131,735</u>	<u>135,259</u>

The Bank's effective tax rate for the financial period approximates the statutory tax rate while the Group effective tax rate is lower than the statutory tax rate as certain income was not subject to tax.

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 were no corporate proposals announced but not completed as at the date of this report other than as mentioned below:-

The Bank had on 18 December 2008, announced that its wholly-owned subsidiary, HLF Credit (Perak) Berhad ("HLFCP") proposes to issue up to RM1,096,326 million nominal value of unsecured and unsubordinated bonds ("Proposed Bonds Issue") to raise funds to subscribe for foreign currency denominated principal protected investments through its subsidiaries.

The tenure of the Bonds will be for four (4) years from the date of issuance. The Bonds will be issued via private placement basis. HLB will be assuming the role of Principal Advisor/Lead Arranger of the Proposed Bonds Issue.

The Proposed Bonds is subject to the approval of the Securities Commission.

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	Financial Year Ended	Financial Period Ended	Financial Year Ended
	31/12/2008	30/06/2008	31/12/2008	30/06/2008
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
Fixed deposits	35,045,550	33,984,323	31,191,998	29,766,590
Negotiable instruments of deposit	3,004,148	1,697,204	2,049,219	1,215,964
Demand deposits	6,324,458	6,000,146	5,960,651	5,651,734
Saving deposits	7,537,394	7,491,714	6,461,856	6,457,812
Short term corporate placement	13,697,581	13,159,163	13,697,581	13,159,163
Other	149,474	215,397	149,474	215,397
	<u>65,758,605</u>	<u>62,547,947</u>	<u>59,510,779</u>	<u>56,466,660</u>

The maturity structure of fixed deposits and negotiable instruments:

One year or less (short term)	36,893,486	34,737,382	32,245,262	30,254,520
More than one year (medium/long term)	1,156,212	944,145	995,955	728,034
	<u>38,049,698</u>	<u>35,681,527</u>	<u>33,241,217</u>	<u>30,982,554</u>

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended	Financial Year Ended	Financial Period Ended	Financial Year Ended
	31/12/2008	30/06/2008	31/12/2008	30/06/2008
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions				
Licensed banks	2,513,499	5,891,409	2,296,499	5,302,409
Other financial institutions	468,842	481,167	39,440	291,167
	<u>2,982,341</u>	<u>6,372,576</u>	<u>2,335,939</u>	<u>5,593,576</u>

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

One year or less (short term)	2,982,341	6,372,576	2,335,939	5,593,576
More than one year (medium/long term)	-	-	-	-
	<u>2,982,341</u>	<u>6,372,576</u>	<u>2,335,939</u>	<u>5,593,576</u>

11 Subordinated bonds

The Group and The Bank

	Financial Period Ended 31/12/2008 RM'000	Financial Year Ended 30/06/2008 RM'000
Subordinated bonds		
- USD200 million	<u>727,766</u>	<u>671,750</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 Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 December 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	14,687,368	4,610,966	4,773,676	4,026,399	1,276,327	-	-
- swaps	18,242,079	6,653,908	4,335,749	1,854,672	1,599,113	3,286,708	511,929
- options	711,048	264,396	318,606	118,990	9,056	-	-
Interest rate related contracts							
- forwards	-	-	-	-	-	-	-
- futures	8,918,249	-	-	2,759,792	2,328,319	3,830,138	-
- swaps	24,722,247	455,361	2,132,000	1,304,526	1,507,110	18,715,922	607,328
Total	67,280,991	11,984,631	11,560,031	10,064,379	6,719,925	25,832,768	1,119,257

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	10,292,488	4,919,422	3,587,368	1,145,925	639,773	-	-
- swaps	9,918,724	3,222,167	1,546,772	785,620	485,565	3,579,932	298,668
- options	1,124,924	579,462	417,416	118,990	9,056	-	-
Interest rate related contracts							
- forwards	-	-	-	-	-	-	-
- futures	8,918,249	-	-	2,759,792	2,328,319	3,830,138	-
- swaps	24,722,247	455,361	2,132,000	1,304,526	1,507,110	18,715,922	607,328
Total	54,976,632	9,176,412	7,683,556	6,114,853	4,969,823	26,125,992	905,996

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 RM744,744,604 (FYE June 2008: RM881,960,520) and RM30,757,335,160 (FYE June 2008: RM30,084,196,890) 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 RM823,522,356 (FYE June 2008: RM640,117,890). 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 25% has been proposed for the current quarter.

- (i) Amount per share: 9.0 sen (less 25% taxation).
- (ii) Previous corresponding quarter: 9.0 sen per share (less 26% taxation).
- (iii) Entitlement date: 27 February 2009
- (iv) Payment date: 16 March 2009

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 31/12/2008 RM'000	Corresponding Quarter Ended 31/12/2007 RM'000	Financial Period Ended 31/12/2008 RM'000	Financial Period Ended 31/12/2007 RM'000
<u>The Group</u>				
Net profit attributable to shareholders of the company	257,427	213,844	499,470	402,110
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	(131,092)	(130,534)	(131,092)	(130,534)
	<u>1,449,015</u>	<u>1,449,573</u>	<u>1,449,015</u>	<u>1,449,573</u>
Basic earnings per share (sen)	17.8	14.8	34.5	27.7
<u>The Bank</u>				
Net profit attributable to shareholders of the company	210,861	198,331	386,401	375,695
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	(131,092)	(130,534)	(131,092)	(130,534)
	<u>1,449,015</u>	<u>1,449,573</u>	<u>1,449,015</u>	<u>1,449,573</u>
Basic earnings per share (sen)	14.6	13.7	26.7	25.9

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 31/12/2008 RM'000	Corresponding Quarter Ended 31/12/2007 RM'000	Financial Period Ended 31/12/2008 RM'000	Financial Period Ended 31/12/2007 RM'000
<u>The Group</u>				
Net profit attributable to shareholders of the company	257,427	213,844	499,470	402,110
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the year	1,449,015	1,449,573	1,449,015	1,449,573
- adjustment for ESOS	-	-	-	-
	<u>1,449,015</u>	<u>1,449,573</u>	<u>1,449,015</u>	<u>1,449,573</u>
Fully diluted earnings per share (sen)	17.8	14.8	34.5	27.7
<u>The Bank</u>				
Net profit attributable to shareholders of the company	210,861	198,331	386,401	375,695
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the year	1,449,015	1,449,573	1,449,015	1,449,573
- adjustment for ESOS	-	-	-	-
	<u>1,449,015</u>	<u>1,449,573</u>	<u>1,449,015</u>	<u>1,449,573</u>
Fully diluted earnings per share (sen)	14.6	13.7	26.7	25.9