

**Condensed Financial Statements**  
**Hong Leong Bank Berhad**  
**Unaudited Balance Sheet As At 31 December 2009**

	The Group		The Bank		
		Financial Period Ended 31/12/2009	Financial Year Ended 30/06/2009	Financial Period Ended 31/12/2009	Financial Year Ended 30/06/2009
	Note	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
Cash and short-term funds		14,483,526	18,343,622	12,659,091	15,820,913
Deposits and placements with financial institutions		5,696,205	5,417,120	5,468,350	5,291,952
Securities held at fair value through profit and loss	8	7,279,944	7,058,396	5,500,624	5,095,423
Securities available-for-sale	9	5,133,872	4,103,431	4,660,611	3,570,387
Securities held-to-maturity	10	8,854,564	6,355,027	8,392,569	6,228,404
Loans, advances and financing	11	35,374,213	34,795,414	31,434,726	30,938,086
Other assets	12	1,290,233	1,198,162	2,157,286	1,477,380
Statutory deposits with Bank Negara Malaysia		327,850	368,564	282,150	322,500
Investment in subsidiary companies		-	-	714,092	575,746
Investment in an associated company		1,103,004	1,045,285	946,505	946,505
Prepaid land lease payments		6,143	6,185	5,273	5,311
Property, plant and equipment		346,842	312,838	325,886	297,012
Intangible assets		36,680	29,548	35,096	28,213
Deferred tax assets		140,142	153,613	123,472	134,681
General and Family Takaful fund assets		-	217,337	-	-
<b>Total Assets</b>		<b>80,073,218</b>	<b>79,404,542</b>	<b>72,705,731</b>	<b>70,732,513</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>					
Deposits from customers	13	66,168,377	67,583,357	59,684,862	59,719,145
Deposits and placements of banks and other financial institutions	14	4,324,241	2,404,159	4,056,826	2,374,159
Bills and acceptance payable		256,649	251,386	240,877	235,253
Other liabilities	15	2,461,075	2,393,344	2,384,303	2,327,155
Subordinated Bonds		698,949	729,566	698,949	729,566
Provision for taxation		94,905	48,541	70,728	27,947
General and Family Takaful fund liabilities		-	8,278	-	-
General and Family Takaful policyholders' fund		-	209,059	-	-
<b>Total Liabilities</b>		<b>74,004,196</b>	<b>73,627,690</b>	<b>67,136,545</b>	<b>65,413,225</b>
Share Capital		1,580,107	1,580,107	1,580,107	1,580,107
Reserves		5,184,550	4,852,809	4,684,714	4,438,233
Less: Treasury Shares		(695,635)	(699,052)	(695,635)	(699,052)
<b>Total Shareholders' Equity</b>		<b>6,069,022</b>	<b>5,733,864</b>	<b>5,569,186</b>	<b>5,319,288</b>
Minority interest		-	42,988	-	-
<b>Total Equity</b>		<b>6,069,022</b>	<b>5,776,852</b>	<b>5,569,186</b>	<b>5,319,288</b>
<b>Total Liabilities and Equity</b>		<b>80,073,218</b>	<b>79,404,542</b>	<b>72,705,731</b>	<b>70,732,513</b>
<b>COMMITMENTS AND CONTINGENCIES</b>					
	25	<b>90,493,193</b>	<b>78,269,435</b>	<b>92,641,090</b>	<b>77,177,218</b>
<b>CAPITAL ADEQUACY</b>					
<b>Before deducting proposed dividends</b>					
Core capital ratio	21	15.83%	15.89%	14.11%	15.18%
Risk-weighted capital ratio	21	16.17%	16.47%	14.11%	15.18%
<b>After deducting proposed dividends</b>					
Core capital ratio	21	15.58%	15.42%	13.83%	14.65%
Risk-weighted capital ratio	21	15.92%	15.99%	13.83%	14.65%
Net asset per share attributable to ordinary equity holders of the parent (RM) *		4.19	3.96	3.84	3.67

\* 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 2009

The Group

	Note	Current Quarter Ended 31/12/2009 RM'000	Corresponding Quarter Ended 31/12/2008 RM'000	Current Period Ended 31/12/2009 RM'000	Corresponding Period Ended 31/12/2008 RM'000
Interest income	16	631,924	790,533	1,256,792	1,607,502
Interest expense	17	(285,863)	(427,297)	(575,884)	(887,224)
Net interest income		346,061	363,236	680,908	720,278
Net income from Islamic Banking business		47,889	38,338	95,969	81,795
Other operating income	18	125,454	162,633	254,204	312,265
Net Income		519,404	564,207	1,031,081	1,114,338
Other operating expenses	19	(238,638)	(217,396)	(448,794)	(434,703)
Operating profit before provision Allowance for losses on loans, advances and financing	20	280,766	346,811	582,287	679,635
Impairment loss		6,081	-	6,081	(33,209)
Share of profit after tax of equity accounted associated company		27,194	18,917	57,719	46,414
Profit before taxation (and zakat)		291,285	340,097	580,112	655,976
Taxation		(66,524)	(82,849)	(121,172)	(156,833)
Zakat		(12)	(13)	(25)	(29)
Net profit for the period		224,749	257,235	458,915	499,114
<b>Attributable to:</b>					
Equity holders of the parent		224,749	257,427	458,960	499,470
Minority Interest		-	(192)	(45)	(356)
Net profit for the period		224,749	257,235	458,915	499,114
Earnings per share - basic (sen)		15.5	17.8	31.7	34.5
Earnings per share - fully diluted (sen)		15.5	17.8	31.7	34.5

## Hong Leong Bank Berhad

### Condensed Financial Statements Unaudited Income Statement For The Financial Quarter Ended 31 December 2009

#### The Bank

	Note	Current Quarter Ended 31/12/2009 RM'000	Corresponding Quarter Ended 31/12/2008 RM'000	Current Period Ended 31/12/2009 RM'000	Corresponding Period Ended 31/12/2008 RM'000
Interest income	16	641,439	791,574	1,268,172	1,612,549
Interest expense	17	(295,564)	(428,177)	(586,652)	(889,467)
Net interest income		345,875	363,397	681,520	723,082
Net income from Islamic Banking business		-	-	-	-
Other operating income	18	131,198	144,904	255,622	266,214
Net Income		477,073	508,301	937,142	989,296
Other operating expenses	19	(212,962)	(199,766)	(404,520)	(400,221)
Operating profit before provision Allowances for losses on loans and financing	20	264,111	308,535	532,622	589,075
Impairment loss		6,081	-	6,081	(33,209)
Profit before taxation (and zakat)		244,737	282,358	472,105	518,136
Taxation		(59,662)	(71,497)	(107,168)	(131,735)
Zakat		-	-	-	-
Profit after taxation		185,075	210,861	364,937	386,401
Profit attributable to shareholders		185,075	210,861	364,937	386,401
Earnings per share - basic (sen)		12.8	14.6	25.2	26.7
Earnings per share - fully diluted (sen)		12.8	14.6	25.2	26.7

**Condensed Financial Statements**  
**Hong Leong Bank Berhad**  
**Unaudited Statement of Changes in Equity For The Financial Period Ended 31 December 2009**

	← Non-distributable →						Distributable				
	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	Minority Interest RM'000	Total Equity RM'000
<b>The Group</b>											
<b>As at 1 July 2009</b>	1,580,107	539,664	1,860,821	(26,701)	13,022	37,050	2,428,953	(699,052)	5,733,864	42,988	5,776,852
<i>Currency translation differences</i>	-	-	-	-	-	(7,864)	-	-	(7,864)	-	(7,864)
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	-	(7,864)	-	-	(7,864)	-	(7,864)
Net profit for the period	-	-	-	-	-	-	458,960	-	458,960	(45)	458,915
Transfer to statutory reserve	-	-	23,404	-	-	-	(23,404)	-	-	-	-
Dividend paid	-	-	-	-	-	-	(163,060)	-	(163,060)	-	(163,060)
Add: ESOS exercised	-	234	-	-	-	-	-	3,417	3,651	-	3,651
Net fair value changes in available for sale securities	-	-	-	38,322	-	-	-	-	38,322	-	38,322
Disposal of subsidiary	-	-	-	-	-	-	-	-	-	(42,943)	(42,943)
Options charge arising from ESOS granted	-	-	-	-	5,149	-	-	-	5,149	-	5,149
<b>Closing Balance @ 31 December 2009</b>	<b>1,580,107</b>	<b>539,898</b>	<b>1,884,225</b>	<b>11,621</b>	<b>18,171</b>	<b>29,186</b>	<b>2,701,449</b>	<b>(695,635)</b>	<b>6,069,022</b>	<b>-</b>	<b>6,069,022</b>
<b>As at 1 July 2008</b>	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
<b>Closing Balance @ 31 December 2008</b>	<b>1,580,107</b>	<b>539,664</b>	<b>1,842,582</b>	<b>(45,576)</b>	<b>7,871</b>	<b>35,454</b>	<b>2,139,136</b>	<b>(699,046)</b>	<b>5,400,192</b>	<b>43,342</b>	<b>5,443,534</b>

**Condensed Financial Statements**  
**Hong Leong Bank Berhad**  
**Unaudited Statement of Changes in Equity For The Financial Period Ended 31 December 2009**

	← Non-distributable				→ Distributable		Retained Profit RM'000	Treasury Shares RM'000	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			
<b>The Bank</b>									
<b>As at 1 July 2009</b>	1,580,107	539,664	1,741,612	(27,654)	13,022	35,529	2,136,060	(699,052)	5,319,288
<i>Currency translation differences</i>	-	-	-	-	-	-	-	-	-
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	364,937	-	364,937
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	(163,060)	-	(163,060)
Add: ESOS exercised	-	234	-	-	-	-	-	3,417	3,651
Net fair value changes in available for sale securities	-	-	-	39,221	-	-	-	-	39,221
Options charge arising from ESOS granted	-	-	-	-	5,149	-	-	-	5,149
<b>Closing Balance @ 31 December 2009</b>	<b>1,580,107</b>	<b>539,898</b>	<b>1,741,612</b>	<b>11,567</b>	<b>18,171</b>	<b>35,529</b>	<b>2,337,937</b>	<b>(695,635)</b>	<b>5,569,186</b>
<b>As at 1 July 2008</b>	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)	-	-	(3,582)
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	-	-	-	-	-	-	-	(5)	(5)
Dividend paid	-	-	-	-	-	-	(163,014)	-	(163,014)
less: Treasury shares	-	-	-	-	-	-	-	-	-
Net fair value changes in available for sale securities	-	-	-	(35,075)	-	-	-	-	(35,075)
Options charge arising from ESOS granted	-	-	-	-	5,151	-	-	-	5,151
<b>Closing Balance @ 31 December 2008</b>	<b>1,580,107</b>	<b>539,664</b>	<b>1,741,612</b>	<b>(49,738)</b>	<b>7,871</b>	<b>35,526</b>	<b>1,960,592</b>	<b>(699,046)</b>	<b>5,116,588</b>

**Hong Leong Bank Berhad**  
**Condensed Financial Statements**  
**Unaudited Condensed Cash Flow Statement**  
**For The Financial Period Ended 31 December 2009**

	The Group		The Bank	
	Financial Period Ended 31/12/2009 RM'000	Financial Period Ended 31/12/2008 RM'000	Financial Period Ended 31/12/2009 RM'000	Financial Period Ended 31/12/2008 RM'000
<b>Operating activities</b>				
Profit before taxation	580,112	655,976	472,105	518,136
Adjustments for non-cash items	(120,664)	(13,110)	(129,092)	15,944
Operating profit before working capital changes	459,448	642,866	343,013	534,080
Income taxes and zakat paid	(62,902)	(159,263)	(50,979)	(147,404)
Net changes in working capital	(291,387)	(829,783)	349,602	(685,395)
Net cash flow from operating activities	105,159	(346,180)	641,637	(298,719)
Net cash flow from investing activities	(3,817,665)	(1,023,986)	(3,680,898)	(852,453)
Net cash flow from financing activities	(177,788)	(18,052)	(177,788)	(18,052)
<b>Changes in cash and cash equivalents</b>	<b>(3,890,294)</b>	<b>(1,388,218)</b>	<b>(3,217,049)</b>	<b>(1,169,224)</b>
<b>Currency translation differences</b>	<b>30,198</b>	<b>(15)</b>	<b>55,227</b>	<b>(15)</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>18,343,622</b>	<b>22,264,674</b>	<b>15,820,913</b>	<b>20,392,853</b>
<b>Cash and cash equivalents at the end of period</b>	<b>14,483,526</b>	<b>20,876,441</b>	<b>12,659,091</b>	<b>19,223,614</b>

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

## **NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR FINANCIAL QUARTER ENDED 31 DECEMBER 2009**

### **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 2009.

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 2009 except for the first time adoption of FRS 8, 'Operating Segments'.

FRS 8: Operating Segments – This new standard replaces FRS 114 requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. disclosure in the financial statements. The application of this standard would not have any impact to the financial statements of the Group.

### **2 Status of matters giving rise to the auditor's qualified report in the preceding annual financial statements financial statements for the year ended 30 June 2009**

There was no qualified report issued by the auditors in the preceding annual financial statements for the year ended 30 June 2009

### **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 2009 other than as mentioned below:-

### a) Share Buy-back

During the financial period ended 31 December 2009, the Bank purchased a total of 1,000 ordinary shares of RM1.00 each ('Shares') 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 2009 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-09	-	-	-	-	-
Aug-09	-	-	-	-	-
Sep-09	-	-	-	-	-
Oct-09	-	-	-	-	-
Nov-09	1,000	8.19	8.19	8.19	8,241
Dec-09	-	-	-	-	-
<b>For the period</b>	1,000	8.19	8.19	8.19	8,241

The total number of Shares bought back, all of which were held as treasury shares as at 31 December 2009 amounted to 81,093,700 Shares, at an average price per share of RM5.32. None of the treasury shares were resold or cancelled to date.



**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 2009, the trust did not purchase any new shares. As at 31 December 2009, the total number of Treasury Shares for ESOS was 49,360,000 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.

During the financial period ended 31 December 2009, a total of 640,000 ordinary shares of RM1 each for cash were exercised pursuant to the Company's ESOS at exercise price of RM5.72 per ordinary share.

**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 RM15.0 sen per share less income tax of 25% in respect of financial year ended 30 June 2009 amounting to RM163.1 million was paid on 17 November 2009.

## 8 Securities held at fair value through profit or loss

	<u>The Group</u>		<u>The Bank</u>	
	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>
<b>Held-for-trading</b>				
Money market instruments:				
Malaysian Government Treasury				
Bills	630,305	458,307	200,686	310,130
Malaysian Government Securities	1,094,666	838,842	1,094,666	838,842
Malaysian Government Investment				
Certificates	1,349,094	136,143	1,149,061	-
Bank Negara Malaysia (BNM)				
Bills	902,979	1,738,604	468,554	895,517
Cagamas Bonds	75,064	-	55,047	-
Bankers' Acceptance and Islamic				
Accepted bills	2,638,411	2,983,607	2,226,884	2,607,562
Negotiable Instruments of Deposit	516,442	887,971	305,726	443,372
Sukuk Bonds	40,008	-	-	-
Khazanah Bonds	32,975	14,922	-	-
Total securities held-for-trading	<u>7,279,944</u>	<u>7,058,396</u>	<u>5,500,624</u>	<u>5,095,423</u>

\* During the 2nd Quarter of financial year ended 30 June 2009, amount of RM58 million (Group) and RM57 million (Bank) was reclassified to available-for-sale portfolio

## 9 Securities available-for-sale

	<u>The Group</u>		<u>The Bank</u>	
	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>
Money market instruments:				
Malaysian Government Investment Certificates	2,106,334	728,237	1,658,479	306,236
Negotiable Instruments of Deposit	-	-	-	-
Other Government Securities	8,830	9,081	8,830	9,081
Khazanah Bonds	-	9,948	-	-
Government Treasury Bills	608,176	379,600	608,176	379,600
Malaysian Government Securities	1,340,585	1,698,183	1,340,585	1,698,182
Singapore Government securities	-	24,601	-	24,601
Cagamas Bonds	126,469	162,084	101,063	126,656
	<u>4,190,394</u>	<u>3,011,734</u>	<u>3,717,133</u>	<u>2,544,356</u>
Quoted Securities:				
Shares and Convertible Loan				
Stocks *	81,238	69,879	81,238	68,618
Foreign Currency Bonds	715,948	801,013	715,948	791,278
Unquoted securities:				
Private Debt Securities	146,292	220,805	146,292	166,135
Total securities available-for-sale	<u>5,133,872</u>	<u>4,103,431</u>	<u>4,660,611</u>	<u>3,570,387</u>

\* Includes amount transferred from Held-for-trading Group (RM68.4 million) and Bank (RM68.4 million )

## 10 Securities held-to-maturity

	<u>The Group</u>		<u>The Bank</u>	
	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>
Money market instruments:				
Malaysian Government Securities	4,462,538	1,670,241	4,462,538	1,670,241
Malaysian Government Investment Certificates	1,313,225	105,514	917,529	45,306
Cagamas bonds	279,873	279,873	279,873	279,873
Negotiable Instruments of Deposit	2,572,943	4,073,323	2,572,944	4,073,323
	<u>8,628,579</u>	<u>6,128,951</u>	<u>8,232,884</u>	<u>6,068,743</u>
Unquoted securities:				
Shares	27,578	27,578	27,003	27,003
Private debt securities	196,369	196,398	130,644	130,558
Loan Stocks	2,038	2,100	2,038	2,100
	<u>225,985</u>	<u>226,076</u>	<u>159,685</u>	<u>159,661</u>
Total securities held-to-maturity	<u>8,854,564</u>	<u>6,355,027</u>	<u>8,392,569</u>	<u>6,228,404</u>

## 11 Loans, advances and financing

	<u>The Group</u>		<u>The Bank</u>	
	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>
Overdrafts	2,031,085	2,091,226	2,025,269	2,086,550
Term loans:				
- Housing and shop loans/financing	21,477,907	20,496,440	17,574,974	16,933,816
- Syndicated term loan/financing	1,944,366	1,685,228	1,624,773	1,458,633
- Hire purchase receivables	5,675,000	5,829,968	3,184,851	3,284,687
- Lease receivables	14,142	16,418	-	-
- Other term loans/financing	1,908,379	1,775,639	1,796,151	1,653,690
Credit/charge card receivables	2,138,933	2,017,519	2,138,933	2,017,519
Bills receivables	195,567	211,019	195,567	211,019
Trust receipts	104,892	92,982	104,892	92,982
Claims on customers under acceptance credits	2,891,503	3,230,902	2,849,401	3,184,696
Block discounting	8,224	8,218	8,224	8,218
Revolving credits	1,157,310	1,219,780	1,157,310	1,219,780
Staff loans:				
Directors	-	-	-	-
Staffs other than Directors	94,653	96,686	94,642	96,668
Other loans/financing	44,960	45,013	44,415	44,390
	<u>39,686,921</u>	<u>38,817,038</u>	<u>32,799,402</u>	<u>32,292,648</u>
Unearned interest and income	(3,473,059)	(3,219,240)	(592,876)	(613,549)
Gross loans, advances and financing	<u>36,213,862</u>	<u>35,597,798</u>	<u>32,206,526</u>	<u>31,679,099</u>
Fair value changes arising from fair value hedges	-	56,892	-	28,385
Unamortised fair value changes arising from terminated fair value hedges	60,045	13,381	32,190	8,714
Allowance for bad and doubtful debts and financing:				
- General	(546,987)	(544,823)	(478,758)	(471,305)
- Specific	(352,707)	(327,834)	(325,232)	(306,807)
Net loans, advances and financing	<u><u>35,374,213</u></u>	<u><u>34,795,414</u></u>	<u><u>31,434,726</u></u>	<u><u>30,938,086</u></u>

**11 Loans, advances and financing** (continued)

11a By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>
Domestic non-bank financial institutions	56,201	86,327	51,983	66,046
Domestic business enterprises				
- Small and medium enterprises	3,089,509	3,250,429	2,857,226	3,019,992
- Others	7,114,159	7,101,523	6,587,987	6,601,848
Government and statutory bodies	268	369	227	322
Individuals	24,773,162	24,048,226	21,585,682	20,935,613
Other domestic entities	16,450	16,185	15,141	14,941
Foreign entities	1,164,113	1,094,739	1,108,280	1,040,337
Gross loans, advances and financing	<u>36,213,862</u>	<u>35,597,798</u>	<u>32,206,526</u>	<u>31,679,099</u>

11b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>
Fixed rate				
- Housing and shop loans/financing	573,711	673,204	252,018	266,342
- Hire purchase receivables	4,939,383	5,087,484	2,748,554	2,837,970
- Other fixed rate loan/financing	3,160,445	3,045,445	3,062,219	2,917,234
Variable rate				
- Base lending rate plus	23,756,095	23,240,974	22,359,507	22,153,067
- Cost plus	3,753,672	3,500,595	3,753,672	3,454,390
- Other variables rates	30,556	50,096	30,556	50,096
Gross loans, advances and financing	<u>36,213,862</u>	<u>35,597,798</u>	<u>32,206,526</u>	<u>31,679,099</u>

**11 Loans, advances and financing** (continued)

11c By economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>
Purchase of securities	464,744	416,439	464,416	416,094
Purchase of transport vehicles	4,716,627	4,848,428	2,638,771	2,723,027
Purchase of landed properties				
- residential	14,356,497	13,922,382	13,127,589	12,800,377
- non-residential	4,224,025	4,257,268	4,038,073	4,065,035
Personal use	2,844,077	2,710,071	2,780,354	2,651,529
Credit card	2,138,933	2,017,519	2,138,933	2,017,519
Purchase of consumer durables	68	54	68	54
Construction	354,130	448,043	322,236	417,826
Working capital	7,104,360	6,973,922	6,690,448	6,583,980
Others	10,401	3,672	5,638	3,658
Gross loans, advances and financing	<u>36,213,862</u>	<u>35,597,798</u>	<u>32,206,526</u>	<u>31,679,099</u>

11d Non-performing loans by purpose

	<u>The Group</u>		<u>The Bank</u>	
	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>
Purchase of securities	10,752	11,000	10,532	10,780
Purchase of transport vehicles	55,294	48,996	30,841	27,617
Purchase of landed properties				
- residential	210,501	235,867	194,422	216,978
- non-residential	58,923	62,761	57,894	62,149
Personal use	51,966	56,872	51,710	56,432
Credit card	30,698	36,446	30,698	36,446
Construction	27,866	32,662	27,645	32,240
Working capital	282,361	315,553	278,843	311,255
Others	-	2	-	2
	<u>728,361</u>	<u>800,159</u>	<u>682,585</u>	<u>753,899</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>	
	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>
At beginning	800,159	840,402	753,899	794,555
Non-performing during the period/year	1,328,207	2,793,625	1,218,328	2,588,994
Reclassified as performing	(1,179,487)	(2,314,165)	(1,083,011)	(2,147,426)
Amount written back in respect of recoveries	(138,104)	(258,963)	(124,382)	(234,726)
Amount written off	(82,530)	(260,982)	(82,365)	(247,740)
Exchange differences	116	242	116	242
Closing balance	728,361	800,159	682,585	753,899
Specific allowance	(352,707)	(327,834)	(325,232)	(306,807)
Net non-performing loans, advances and financing	<u>375,654</u>	<u>472,325</u>	<u>357,353</u>	<u>447,092</u>
Net NPL as a % of gross loans, advances and financing less specific allowance	<u>1.0%</u>	<u>1.3%</u>	<u>1.1%</u>	<u>1.4%</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>	
	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>
<u>General Allowance</u>				
At beginning	544,823	526,957	471,305	461,900
Net provisions made during the period/year	2,114	17,728	7,403	9,267
Exchange differences	50	138	50	138
Closing balance	<u>546,987</u>	<u>544,823</u>	<u>478,758</u>	<u>471,305</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	327,834	345,781	306,807	320,954
Allowance made during the period/year	156,745	316,410	146,380	300,461
Amount written back in respect of recoveries	(51,013)	(73,602)	(47,261)	(67,095)
Amount written off	(80,958)	(260,982)	(80,793)	(247,740)
Exchange differences	99	227	99	227
Closing balance	<u>352,707</u>	<u>327,834</u>	<u>325,232</u>	<u>306,807</u>

## 12 Other assets

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2009 RM'000	Financial Year Ended 30/06/2009 RM'000	Financial Period Ended 31/12/2009 RM'000	Financial Year Ended 30/06/2009 RM'000
Interest/Income receivable	185,810	97,739	171,205	89,608
Other debtors, deposits and prepayments	1,102,548	1,098,548	1,984,206	1,385,897
Foreclosed properties	1,875	1,875	1,875	1,875
	<u>1,290,233</u>	<u>1,198,162</u>	<u>2,157,286</u>	<u>1,477,380</u>

## 13 Deposits from customers

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2009 RM'000	Financial Year Ended 30/06/2009 RM'000	Financial Period Ended 31/12/2009 RM'000	Financial Year Ended 30/06/2009 RM'000
<u>By type of customer</u>				
Government and statutory bodies	615,605	714,312	407,081	550,071
Business enterprises	31,558,752	33,264,462	27,079,443	27,262,391
Individuals	32,815,508	32,608,117	31,140,884	31,024,913
Others	1,178,512	996,466	1,057,454	881,770
	<u>66,168,377</u>	<u>67,583,357</u>	<u>59,684,862</u>	<u>59,719,145</u>

#### 14 Deposits and placements of banks and other financial institution

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2009 RM'000	Financial Year Ended 30/06/2009 RM'000	Financial Period Ended 31/12/2009 RM'000	Financial Year Ended 30/06/2009 RM'000
Licensed banks	3,951,905	2,202,304	3,930,905	2,172,304
Other financial institutions	372,336	201,855	125,921	201,855
	<u>4,324,241</u>	<u>2,404,159</u>	<u>4,056,826</u>	<u>2,374,159</u>

#### 15 Other liabilities

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2009 RM'000	Financial Year Ended 30/06/2009 RM'000	Financial Period Ended 31/12/2009 RM'000	Financial Year Ended 30/06/2009 RM'000
Interest/Profit payable	241,824	261,417	202,883	228,736
Zakat	80	55	-	-
Post employment benefits obligation				
- defined contribution plan	3,165	3,181	3,165	3,181
Loan advance payment	898,077	802,122	847,701	765,762
Amount due to subsidiary companies	-	-	43,667	43,671
Others	1,317,929	1,326,569	1,286,887	1,285,805
	<u>2,461,075</u>	<u>2,393,344</u>	<u>2,384,303</u>	<u>2,327,155</u>

## 16 Interest income

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Loan, advances and financing				
- Interest income other than recoveries from NPLs	377,927	456,167	764,763	905,634
- Recoveries from NPLs	26,027	25,892	51,454	53,119
Money at call and deposit placements with financial institutions	79,414	191,584	151,545	406,927
Securities purchased under resale agreements	-	-	6	1,088
Securities held-for-trading	15,574	5,265	31,462	7,733
Securities available-for-sale	34,873	21,073	73,404	52,969
Securities held-to-maturity	61,691	36,580	110,524	73,172
Others	114	507	192	1,181
	<u>595,620</u>	<u>737,068</u>	<u>1,183,350</u>	<u>1,501,823</u>
Amortisation of premium less accretion of discount	38,701	58,043	78,434	113,389
Interest suspended	(2,397)	(4,578)	(4,992)	(7,710)
	<u>631,924</u>	<u>790,533</u>	<u>1,256,792</u>	<u>1,607,502</u>

16 Interest income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2009 RM'000	31/12/2008 RM'000	31/12/2009 RM'000	31/12/2008 RM'000
<b><u>Bank</u></b>				
Loan, advances and financing				
- Interest income other than recoveries from NPLs	381,713	456,993	769,771	909,827
- Recoveries from NPLs	26,027	25,892	51,454	53,119
Money at call and deposit placements with financial institutions	75,812	192,047	148,628	408,075
Securities purchased under resale agreements	-	-	6	1,088
Securities held-for-trading	15,585	5,277	31,698	7,958
Securities available-for-sale	34,873	20,838	73,137	52,510
Securities held-to-maturity	61,691	36,580	110,524	73,172
Others	9,434	482	9,512	1,121
	<u>605,135</u>	<u>738,109</u>	<u>1,194,730</u>	<u>1,506,870</u>
Amortisation of premium less accretion of discount	38,701	58,043	78,434	113,389
Interest suspended	(2,397)	(4,578)	(4,992)	(7,710)
	<u>641,439</u>	<u>791,574</u>	<u>1,268,172</u>	<u>1,612,549</u>

## 17 Interest expense

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Deposits and placements of banks and other financial institutions	5,562	20,403	13,387	59,134
Deposits from customers	216,418	303,593	444,199	597,061
Short term corporate placements	54,977	93,644	100,278	212,440
Subordinated bonds	8,865	9,464	17,969	18,052
Others	41	193	51	537
	<u>285,863</u>	<u>427,297</u>	<u>575,884</u>	<u>887,224</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Deposits and placements of banks and other financial institutions	6,040	20,879	14,550	60,295
Deposits from customers	225,641	303,997	453,804	598,143
Short term corporate placements	54,977	93,644	100,278	212,440
Subordinated bonds	8,865	9,464	17,969	18,052
Others	41	193	51	537
	<u>295,564</u>	<u>428,177</u>	<u>586,652</u>	<u>889,467</u>

18 Other operating income

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
(a) <u>Fee income:</u>				
Commissions	17,878	15,517	35,820	35,298
Service charges and fees	4,706	5,047	9,055	10,842
Guarantee fees	1,528	1,370	2,898	2,826
Other fee income	53,721	47,818	103,721	95,419
	<u>77,833</u>	<u>69,752</u>	<u>151,494</u>	<u>144,385</u>
(b) <u>Gain/loss arising from sale of securities:</u>				
Net gain from sale of securities held-for-trading and derivatives	31,245	(7,422)	44,164	3,847
Net gain from sale of securities available-for-sale	5,358	9,397	5,612	26,717
Net gain from redemption of securities held-to-maturity	47	52	1,021	130
	<u>36,650</u>	<u>2,027</u>	<u>50,797</u>	<u>30,694</u>
(c) <u>Gross dividend income from:</u>				
Securities held at fair value through profit or loss	-	537	-	1,600
Securities available-for-sale	622	-	1,915	12
Securities held to maturity	-	240	3,396	3,423
	<u>622</u>	<u>777</u>	<u>5,311</u>	<u>5,035</u>

18 Other operating income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2009 RM'000	31/12/2008 RM'000	31/12/2009 RM'000	31/12/2008 RM'000
(d) <u>Net unrealised gains/(losses) on revaluation of securities held-for-trading and derivatives</u>	<u>(32,676)</u>	<u>12,392</u>	<u>(30,781)</u>	<u>19,061</u>
(e) <u>Net realised gains/(losses) on fair value changes arising from fair value hedges</u>	<u>(9,947)</u>	<u>(3,509)</u>	<u>(10,140)</u>	<u>(2,279)</u>
(f) <u>Net unrealised gains/(losses) on fair value changes arising from fair value hedges</u>	<u>16,878</u>	<u>8,675</u>	<u>17,043</u>	<u>(4,286)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	30,497	68,058	57,616	109,837
Rental income	88	56	267	80
Gain on disposal of property and equipment (net)	410	109	405	353
Profit from Takaful investments	-	1,253	1,758	2,636
Others	5,099	3,043	10,434	6,749
	<u>36,094</u>	<u>72,519</u>	<u>70,480</u>	<u>119,655</u>
Total other operating income	<u>125,454</u>	<u>162,633</u>	<u>254,204</u>	<u>312,265</u>



## 18 Other operating income

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	RM'000	RM'000	RM'000	RM'000
<b><u>Bank</u></b>				
(a) <u>Fee income:</u>				
Commissions	17,878	15,493	35,819	35,243
Service charges and fees	4,720	5,047	9,069	10,842
Guarantee fees	1,528	1,370	2,898	2,826
Other fee income	53,727	47,836	103,733	95,454
	<u>77,853</u>	<u>69,746</u>	<u>151,519</u>	<u>144,365</u>
(b) <u>Gain/loss arising from sale of securities:</u>				
Net gain from sale of securities held-for-trading and derivatives	31,245	(7,422)	44,164	3,847
Net gain from sale of securities available-for-sale	5,358	9,397	5,612	26,717
Net gain from redemption of securities held-to-maturity	47	52	1,021	130
	<u>36,650</u>	<u>2,027</u>	<u>50,797</u>	<u>30,694</u>
(c) <u>Gross dividend income from:</u>				
Subsidiary companies	-	-	-	-
Securities held-for-trading	-	537	-	1,600
Securities available-for-sale	622	-	1,915	12
Securities held to maturity	-	240	3,396	3,423
	<u>622</u>	<u>777</u>	<u>5,311</u>	<u>5,035</u>

18 Other operating income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	RM'000	RM'000	RM'000	RM'000
(d) <u>Net unrealised gains/(losses) on revaluation of securities held-for-trading and derivatives</u>	<u>(29,925)</u>	<u>(35,418)</u>	<u>(24,935)</u>	<u>(34,718)</u>
(e) <u>Net realised gains/(losses) on fair value changes arising from fair value hedges</u>	<u>(9,947)</u>	<u>(1,482)</u>	<u>(10,140)</u>	<u>(2,279)</u>
(f) <u>Net unrealised gains/(losses) on fair value changes arising from fair value hedges</u>	<u>14,096</u>	<u>31,204</u>	<u>11,522</u>	<u>(457)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	30,489	68,096	57,595	109,793
Rental income	88	56	267	80
Gain on disposal of property and equipment (net)	410	109	404	353
Gain from disposal of subsidiary	6,100	6,447	3,861	6,447
Others	4,762	3,342	9,421	6,901
	<u>41,849</u>	<u>78,050</u>	<u>71,548</u>	<u>123,574</u>
Total other operating income	<u>131,198</u>	<u>144,904</u>	<u>255,622</u>	<u>266,214</u>

## 19 Other operating expenses

<u>Group</u>	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	103,114	98,243	204,207	195,123
- Others	13,153	9,468	21,718	19,043
<u>Establishment costs</u>				
- Depreciation equipment	11,756	11,620	22,780	23,255
- Depreciation of Prepaid Lease	21	21	42	42
- Amortisation of intangible assets	3,014	3,499	6,005	6,996
- Rental	11,091	11,092	22,184	21,613
- Information technology expenses	11,131	13,458	22,329	23,973
- Others	10,619	9,008	20,335	18,671
<u>Marketing expenses</u>				
- Advertisement and publicity	17,515	13,371	32,175	29,889
- Handling fees	372	2,700	277	6,343
- Others	11,068	12,567	22,716	25,945
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,256	2,388	3,756	5,177
- Stationery & printing	2,514	3,717	5,476	6,828
- Others	41,014	26,244	64,794	51,805
	<u>238,638</u>	<u>217,396</u>	<u>448,794</u>	<u>434,703</u>

19 Other operating expenses (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	RM'000	RM'000	RM'000	RM'000
<b><u>Bank</u></b>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	88,743	86,944	177,458	173,111
- Others	11,772	8,289	19,535	16,942
<u>Establishment costs</u>				
- Depreciation equipment	10,828	11,359	21,611	22,742
- Depreciation of Prepaid Lease	19	18	38	37
- Amortisation of intangible assets	3,014	3,378	5,925	6,758
- Rental	9,565	10,494	20,046	20,428
- Information technology expenses	10,902	13,170	21,808	23,490
- Others	8,613	7,643	17,048	15,792
<u>Marketing expenses</u>				
- Advertisement and publicity	16,537	13,208	30,782	29,671
- Handling fees	210	2,059	(490)	4,653
- Others	10,850	11,925	21,684	25,067
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,182	2,364	3,666	5,130
- Stationery & printing	2,456	3,639	5,350	6,712
- Shared service cost (recoveries)				
- Others	37,271	25,276	60,059	49,688
	<u>212,962</u>	<u>199,766</u>	<u>404,520</u>	<u>400,221</u>

20 Allowance for losses on loans, advances and financing

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	(2,546)	(5,803)	2,114	(825)
- specific allowance	76,879	72,939	156,745	142,878
- specific allowance written back	(28,390)	(19,313)	(51,013)	(38,873)
Bad debts and financing written off	1,814	2,100	3,578	4,504
Bad debts and financing recovery	(25,001)	(24,292)	(45,449)	(70,820)
	<u>22,756</u>	<u>25,631</u>	<u>65,975</u>	<u>36,864</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	2,654	(4,204)	7,403	1,969
- specific allowance	71,697	68,951	146,380	135,436
- specific allowance written back	(26,809)	(17,570)	(47,261)	(35,751)
Bad debts and financing written off	1,638	1,987	3,305	4,298
Bad debts and financing recovery	(23,725)	(22,987)	(43,229)	(68,222)
	<u>25,455</u>	<u>26,177</u>	<u>66,598</u>	<u>37,730</u>

## 21 Capital adequacy

	<u>The Group</u>		<u>The Bank</u>	
	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>
<b><u>Components of Tier-1 and Tier-2 Capital</u></b>				
<b>Tier-1 capital</b>				
Paid up share capital	1,580,107	1,580,107	1,580,107	1,580,107
Share premium	539,898	539,664	539,898	539,664
Retained profit	2,701,449	2,428,953	2,337,937	2,136,060
Other reserves	1,931,582	1,910,893	1,795,312	1,790,163
Less: Treasury shares	(695,635)	(699,052)	(695,635)	(699,052)
Less: Deferred tax	(140,142)	(153,613)	(123,472)	(134,681)
Add: Minority interest	-	42,988	-	-
<b>Total tier-1 capital</b>	<b>5,917,259</b>	<b>5,649,940</b>	<b>5,434,147</b>	<b>5,212,261</b>
<b>Tier-2 capital</b>				
General provision	546,987	544,823	478,758	471,305
Subordinated bonds	684,800	703,800	684,800	703,800
<b>Total tier-2 capital</b>	<b>1,231,787</b>	<b>1,248,623</b>	<b>1,163,558</b>	<b>1,175,105</b>
<b>Total capital</b>	<b>7,149,046</b>	<b>6,898,563</b>	<b>6,597,705</b>	<b>6,387,366</b>
Less: Investment in subsidiary companies	-	-	(714,094)	(575,746)
Less: Investment in associated company	(1,103,004)	(1,045,285)	(946,505)	(946,505)
<b>Total capital base</b>	<b>6,046,042</b>	<b>5,853,278</b>	<b>4,937,106</b>	<b>4,865,115</b>
<b><u>Before deducting proposed dividends</u></b>				
Core Capital Ratio	15.83%	15.89%	14.11% *	15.18%
Risk-weighted Capital Ratio	16.17%	16.47%	14.11%	15.18%
<b><u>After deducting proposed dividends</u></b>				
Core Capital Ratio	15.58%	15.42%	13.83% *	14.65%
Risk-weighted Capital Ratio	15.92%	15.99%	13.83%	14.65%

\*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 2009, 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 2009 have been included in the capital base used in the computation of the Group's and the Bank's Capital Adequacy Ratios respectively.

## 21 Capital adequacy (continued)

a) The capital adequacy ratios of the banking subsidiary company of the Group are as follows:

	Hong Leong Islamic Bank Berhad *
<b>As at 31 December 2009</b>	
<u>Before deducting proposed</u>	
<u>dividends:</u>	
Core capital ratio	19.85%
Risk-weighted capital ratio	<u>21.74%</u>
<u>After deducting proposed</u>	
<u>dividends:</u>	
Core capital ratio	19.85%
Risk-weighted capital ratio	<u>21.74%</u>
<b>As at 30 June 2009</b>	
<u>Before deducting proposed</u>	
<u>dividends:</u>	
Core capital ratio	20.86%
Risk-weighted capital ratio	<u>22.99%</u>
<u>After deducting proposed</u>	
<u>dividends:</u>	
Core capital ratio	20.72%
Risk-weighted capital ratio	<u>22.85%</u>

\* The capital adequacy ratios of Hong Leong Islamic Berhad is computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB), which are based on the Basel II capital accord. Hong Leong Islamic Bank Berhad has adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy approach requirement is 8% for the risk-weighted capital ratio.

## 21 Capital adequacy (continued)

b) Breakdown of gross-risk weighted assets in the various categories of risk-weights:

	<u>The Group</u>		<u>The Bank</u>	
	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>
Risk-weighted assets for credit risk	31,024,796	29,835,809	29,362,246	26,851,357
Risk-weighted assets for market risk	2,499,342	1,973,766	2,093,496	1,787,131
Risk-weighted assets for operational risk	3,860,596	3,737,622	3,522,526	3,414,147
Total risk-weighted assets	<u>37,384,734</u>	<u>35,547,197</u>	<u>34,978,268</u>	<u>32,052,635</u>

The Group and the Bank implemented the Basel II - Risk-Weighted Assets Computation under the Bank Negara Malaysia's Risk-Weighted Capital Adequacy Framework with effect from 1 January 2008.

The Group and the Bank has adopted the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operational risk computation.



21 Capital adequacy (continued)

c) Disclosure on Capital Adequacy under the Standardised Approach (RM'000)

The Group  
31 December 2009

Exposure Class	Gross Exposures	Net Exposures	Risk-Weighted Assets	Total Risk-Weighted Assets after Effects of PSIA	Capital Requirements
<b>1 Credit Risk</b>					
<b>On Balance Sheet Exposures</b>					
Sovereigns/Central Banks	21,569,906	21,569,906	-	-	-
Public Sector Entities	85,392	85,392	17,078	17,078	1,366
Banks, Development Financial Institutions & MDBs	11,500,784	11,500,784	3,727,249	3,727,249	298,180
Insurance Companies, Securities Firms & Fund Managers	22,323	22,323	22,323	22,323	1,786
Corporates	9,421,506	8,922,573	8,557,916	8,557,916	684,633
Regulatory Retail	15,010,234	14,662,219	10,996,663	10,996,663	879,733
Residential Real Estate (RRE) Financing	11,565,635	11,563,419	4,416,140	4,416,140	353,291
Higher Risk Assets	57,799	57,799	86,700	86,700	6,936
Equity Exposure	-	-	-	-	-
Other Assets	1,036,319	1,036,319	157,025	157,025	12,562
Defaulted Exposures	533,195	532,810	655,093	655,093	52,407
<b>Total for On Balance Sheet Exposures</b>	<b>70,803,093</b>	<b>69,953,544</b>	<b>28,636,187</b>	<b>28,636,187</b>	<b>2,290,894</b>
<b>Off Balance Sheet Exposures</b>					
OTC Derivatives	3,029,802	3,029,802	2,034,083	2,034,083	162,727
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	383,149	383,148	353,954	353,954	28,316
Defaulted Exposures	381	381	572	572	46
<b>Total for Off Balance Sheet Exposures</b>	<b>3,413,332</b>	<b>3,413,331</b>	<b>2,388,609</b>	<b>2,388,609</b>	<b>191,089</b>
<b>Total for On and Off Balance Sheet Exposures</b>	<b>74,216,425</b>	<b>73,366,875</b>	<b>31,024,796</b>	<b>31,024,796</b>	<b>2,481,983</b>
<b>2 Market Risk</b>					
	<b>Long Position</b>	<b>Short Position</b>			
Interest Rate Risk	41,402,933	35,936,801	-	1,592,224	112,567
Foreign Currency Risk	838,536	829,423	-	901,347	72,108
Inventory Risk	161	-	-	5,771	462
<b>Total Market Risk</b>			-	<b>2,499,342</b>	<b>185,137</b>
<b>3 Operational Risk</b>					
Operational Risk				3,860,596	308,848
<b>Total RWA and Capital Requirement</b>				<b>37,384,734</b>	<b>2,975,968</b>

PSIA "Profit Sharing Investment Account"

OTC "Over The Counter"

21 Capital adequacy (continued)

c) Disclosure on Capital Adequacy under the Standardised Approach (RM'000)

The Group  
30 June 2009

Exposure Class	Gross Exposures	Net Exposures	Risk-Weighted Assets	Total Risk-Weighted Assets after Effects of PSIA	Capital Requirements
<b>1 Credit Risk</b>					
<b>On Balance Sheet Exposures</b>					
Sovereigns/Central Banks	23,750,099	23,750,099	-	-	-
Public Sector Entities	95,868	95,868	19,173	19,173	1,534
Banks, Development Financial Institutions & MDBs	8,874,214	8,874,214	2,416,803	2,416,803	193,344
Insurance Companies, Securities Firms & Fund Managers	27,232	27,232	27,232	27,232	2,179
Corporates	9,859,959	9,519,865	8,889,161	8,889,161	711,133
Regulatory Retail	15,016,316	14,685,775	11,014,333	11,014,333	881,147
Residential Real Estate (RRE) Financing	10,661,090	10,658,295	4,094,727	4,094,727	327,578
Higher Risk Assets	46,545	46,545	69,820	69,820	5,586
Equity Exposure	-	-	-	-	-
Other Assets	1,882,439	1,882,439	888,178	888,178	71,054
Defaulted Exposures	703,439	701,203	870,018	870,018	69,601
<b>Total for On Balance Sheet Exposures</b>	<b>70,917,201</b>	<b>70,241,535</b>	<b>28,289,445</b>	<b>28,289,445</b>	<b>2,263,156</b>
<b>Off Balance Sheet Exposures</b>					
OTC Derivatives	2,139,649	2,139,649	1,122,069	1,122,069	89,766
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	452,709	452,709	418,816	418,816	33,505
Defaulted Exposures	3,653	3,653	5,479	5,479	438
<b>Total for Off Balance Sheet Exposures</b>	<b>2,596,011</b>	<b>2,596,011</b>	<b>1,546,364</b>	<b>1,546,364</b>	<b>123,709</b>
<b>Total for On and Off Balance Sheet Exposures</b>	<b>73,513,212</b>	<b>72,837,546</b>	<b>29,835,809</b>	<b>29,835,809</b>	<b>2,386,865</b>
<b>2 Market Risk</b>					
	<b>Long Position</b>	<b>Short Position</b>			
Interest Rate Risk	47,452,335	34,954,368	-	1,132,126	90,570
Foreign Currency Risk	828,092	769,044	-	837,040	66,963
Inventory Risk	368	-	-	4,600	368
<b>Total Market Risk</b>			-	<b>1,973,766</b>	<b>157,901</b>
<b>3 Operational Risk</b>					
Operational Risk				3,737,622	299,010
<b>Total RWA and Capital Requirement</b>				<b>35,547,197</b>	<b>2,843,776</b>

PSIA "Profit Sharing Investment Account"

OTC "Over The Counter"

21 Capital adequacy (continued)

Disclosure on Capital Adequacy under the Standardised Approach (RM'000)

The Bank  
31 December 2009

Exposure Class	Gross Exposures	Net Exposures	Risk-Weighted Assets	Total Risk-Weighted Assets after Effects of PSIA	Capital Requirements
<b>1 Credit Risk</b>					
<b>On Balance Sheet Exposures</b>					
Sovereigns/Central Banks	19,343,065	19,343,065	-	-	-
Public Sector Entities	85,351	85,351	17,070	17,070	1,366
Banks, Development Financial Institutions & MDBs	10,712,632	10,712,632	3,512,990	3,512,990	281,039
Insurance Companies, Securities Firms & Fund Managers	17,241	17,241	17,241	17,241	1,379
Corporates	8,860,510	8,362,442	8,018,403	8,018,403	641,472
Regulatory Retail	12,535,245	12,189,526	9,142,143	9,142,143	731,371
Residential Real Estate (RRE) Financing	10,647,558	10,645,380	4,061,173	4,061,173	324,894
Higher Risk Assets	56,760	56,760	85,140	85,140	6,811
Equity Exposure	-	-	-	-	-
Other Assets	2,414,787	2,414,787	1,535,437	1,535,437	122,835
Defaulted Exposures	481,736	481,431	584,653	584,653	46,772
<b>Total for On Balance Sheet Exposures</b>	<b>65,154,885</b>	<b>64,308,615</b>	<b>26,974,250</b>	<b>26,974,250</b>	<b>2,157,939</b>
<b>Off Balance Sheet Exposures</b>					
OTC Derivatives	3,029,802	3,029,802	2,034,083	2,034,083	162,727
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	382,536	382,535	353,341	353,341	28,267
Defaulted Exposures	381	381	572	572	46
<b>Total for Off Balance Sheet Exposures</b>	<b>3,412,719</b>	<b>3,412,718</b>	<b>2,387,996</b>	<b>2,387,996</b>	<b>191,040</b>
<b>Total for On and Off Balance Sheet Exposures</b>	<b>68,567,604</b>	<b>67,721,333</b>	<b>29,362,246</b>	<b>29,362,246</b>	<b>2,348,979</b>
<b>2 Market Risk</b>					
	<b>Long Position</b>	<b>Short Position</b>			
Interest Rate Risk	36,309,026	35,936,801	-	1,259,107	100,729
Foreign Currency Risk	786,172	828,618	-	828,618	66,289
Inventory Risk	462	-	-	5,771	462
<b>Total Market Risk</b>			<b>-</b>	<b>2,093,496</b>	<b>167,480</b>
<b>3 Operational Risk</b>					
Operational Risk			3,522,526	3,522,526	281,802
<b>Total RWA And Capital Requirement</b>			<b>34,978,268</b>	<b>34,978,268</b>	<b>2,798,261</b>

PSIA "Profit Sharing Investment Account"

OTC "Over The Counter"

21 Capital adequacy (continued)

Disclosure on Capital Adequacy under the Standardised Approach (RM'000)

The Bank  
30 June 2009

Exposure Class	Gross Exposures	Net Exposures	Risk-Weighted Assets	Total Risk-Weighted Assets after Effects of PSIA	Capital Requirements
<b>1 Credit Risk</b>					
<b>On Balance Sheet Exposures</b>					
Sovereigns/Central Banks	21,031,838	21,031,838	-	-	-
Public Sector Entities	95,821	95,821	19,164	19,164	1,533
Banks, Development Financial Institutions & MDBs	8,346,032	8,346,032	2,287,132	2,287,132	182,971
Insurance Companies, Securities Firms & Fund Managers	22,145	22,145	22,145	22,145	1,772
Corporates	9,277,689	8,938,489	8,336,305	8,336,305	666,904
Regulatory Retail	12,507,215	12,178,874	9,134,157	9,134,157	730,732
Residential Real Estate (RRE) Financing	9,845,252	9,842,494	3,774,957	3,774,957	301,997
Higher Risk Assets	45,634	45,634	68,451	68,451	5,476
Equity Exposure	-	-	-	-	-
Other Assets	1,842,685	1,842,685	847,738	847,738	67,819
Defaulted Exposures	662,282	660,047	815,801	815,801	65,264
<b>Total for On Balance Sheet Exposures</b>	<b>63,676,593</b>	<b>63,004,059</b>	<b>25,305,850</b>	<b>25,305,850</b>	<b>2,024,468</b>
<b>Off Balance Sheet Exposures</b>					
OTC Derivatives	2,139,649	2,139,649	1,122,070	1,122,070	89,766
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	451,854	451,854	417,958	417,958	33,437
Defaulted Exposures	3,653	3,653	5,479	5,479	438
<b>Total for Off Balance Sheet Exposures</b>	<b>2,595,156</b>	<b>2,595,156</b>	<b>1,545,507</b>	<b>1,545,507</b>	<b>123,641</b>
<b>Total for On and Off Balance Sheet Exposures</b>	<b>66,271,749</b>	<b>65,599,215</b>	<b>26,851,357</b>	<b>26,851,357</b>	<b>2,148,109</b>
<b>2 Market Risk</b>					
	<b>Long Position</b>	<b>Short Position</b>			
Interest Rate Risk	43,429,047	34,954,368	-	1,014,284	81,143
Foreign Currency Risk	759,299	768,247	-	768,247	61,460
Inventory Risk	368	-	-	4,600	368
<b>Total Market Risk</b>			-	<b>1,787,131</b>	<b>142,971</b>
<b>3 Operational Risk</b>					
Operational Risk			3,414,147	3,414,147	273,132
<b>Total RWA And Capital Requirement</b>			<b>32,052,635</b>	<b>32,052,635</b>	<b>2,564,212</b>

PSIA "Profit Sharing Investment Account"

OTC "Over The Counter"

21 Capital adequacy (continued)

d) Disclosure on Credit Risk: Disclosures on Risk Weights ( RM'000)

The Group 31 December 2009		Exposures after Netting and Credit Risk Mitigation											Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
Supervisory Risk Weights %	Sovereigns & Central Banks	PSEs	Banks MDBs & FDIs	Insurance Companies, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Real Estate	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitisation Exposures	Equity Exposures		
0%	21,569,906	-	-	-	-	-	-	-	826,377	-	-	-	22,396,283	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	-	85,392	6,873,838	-	410,560	-	-	-	66,147	-	-	-	7,435,937	1,487,187
35%	-	-	-	-	-	-	9,111,933	-	-	-	-	-	9,111,933	3,189,177
50%	-	-	6,540,138	-	97,413	26,504	2,463,776	-	-	-	-	-	9,127,831	4,563,915
75%	-	-	-	-	-	14,776,330	4,888	-	-	-	-	-	14,781,218	11,085,915
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	1,864	23,903	9,864,844	30,546	78,649	-	144,010	-	-	-	10,143,816	10,143,816
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	(233)	-	188,080	123,977	-	58,033	-	-	-	-	369,857	554,786
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
938%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	21,569,906	85,392	13,415,607	23,903	10,560,897	14,957,357	11,659,246	58,033	1,036,534	-	-	-	73,366,875	31,024,796

21 Capital adequacy (continued)

d) Disclosure on Credit Risk: Disclosures on Risk Weights ( RM'000)

The Group 30 June 2009		Exposures after Netting and Credit Risk Mitigation											Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
		Sovereigns & Central Banks	PSEs	Banks MDBs & FDIs	Insurance Companies, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Real Estate	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitisation Exposures		
0%	23,750,099	-	-	-	-	-	-	-	942,996	-	-	-	24,693,095	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	-	95,876	6,873,755	-	741,321	-	-	-	64,084	-	-	-	7,775,036	1,555,007
35%	-	-	-	-	-	-	8,229,463	-	-	-	-	-	8,229,463	2,880,312
50%	-	-	3,951,999	-	98,987	35,464	2,447,265	-	-	-	-	-	6,533,715	3,266,858
75%	-	-	-	-	-	14,819,654	-	-	-	-	-	-	14,819,654	11,114,741
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	3,137	31,343	9,272,903	36,187	103,038	-	875,360	-	-	-	10,321,968	10,321,968
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	278,499	139,297	-	46,819	-	-	-	-	464,615	696,923
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
938%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>23,750,099</b>	<b>95,876</b>	<b>10,828,891</b>	<b>31,343</b>	<b>10,391,710</b>	<b>15,030,602</b>	<b>10,779,766</b>	<b>46,819</b>	<b>1,882,440</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72,837,546</b>	<b>29,835,809</b>

21 Capital adequacy (continued)

Disclosure on Credit Risk: Disclosures on Risk Weights ( RM'000)

The Bank 31 December 2009		Exposures after Netting and Credit Risk Mitigation											Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
Supervisory Risk Weights %	Sovereigns & Central Banks	PSEs	Banks MDBs & FDIs	Insurance Companies, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Real Estate	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitisation Exposures	Equity Exposures		
0%	19,343,065	-	-	-	-	-	-	-	826,433	-	-	-	20,169,498	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	-	85,351	6,274,449	-	384,787	-	-	-	66,147	-	-	-	6,810,734	1,362,147
35%	-	-	-	-	-	-	8,418,248	-	-	-	-	-	8,418,248	2,946,386
50%	-	-	6,351,375	-	97,371	26,245	2,237,681	-	-	-	-	-	8,712,672	4,356,337
75%	-	-	-	-	-	12,303,638	4,888	-	-	-	-	-	12,308,526	9,231,393
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	1,864	18,821	9,329,873	28,780	71,238	-	1,522,424	-	-	-	10,973,000	10,973,000
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	(233)	-	185,321	86,588	-	56,979	-	-	-	-	328,655	492,983
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
938%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	19,343,065	85,351	12,627,455	18,821	9,997,352	12,445,251	10,732,055	56,979	2,415,004	-	-	-	67,721,333	29,362,246

21 Capital adequacy (continued)

Disclosure on Credit Risk: Disclosures on Risk Weights ( RM'000)

The Bank 30 June 2009		Exposures after Netting and Credit Risk Mitigation											Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
Supervisory Risk Weights %	Sovereigns & Central Banks	PSEs	Banks MDBs & FDIs	Insurance Companies, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Real Estate	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitisation Exposures	Equity Exposures		
0%	21,031,838	-	-	-	-	-	-	-	943,681	-	-	-	21,975,519	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	-	95,829	6,425,689	-	705,674	-	-	-	64,084	-	-	-	7,291,276	1,458,255
35%	-	-	-	-	-	-	7,641,938	-	-	-	-	-	7,641,938	2,674,678
50%	-	-	3,871,881	-	98,962	35,137	2,217,198	-	-	-	-	-	6,223,178	3,111,589
75%	-	-	-	-	-	12,312,753	-	-	-	-	-	-	12,312,753	9,234,565
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	3,137	26,256	8,726,278	34,169	94,354	-	834,920	-	-	-	9,719,114	9,719,114
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	276,135	113,449	-	45,853	-	-	-	-	435,437	653,156
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
938%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	21,031,838	95,829	10,300,707	26,256	9,807,049	12,495,508	9,953,490	45,853	1,842,685	-	-	-	65,599,215	26,851,357

PSE "Public Sector Entities"

MDB "Multilateral Development Banks"

FDI "Financial Development Institutions"



## 21 Capital adequacy (continued)

### e) Disclosure on Off Balance Sheet and Counterparty Credit Risk

<b>The Group 31 December 2009</b>	<b>Total Principal Amount RM'000</b>	<b>Total Credit Equivalent Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Risk Weighted Amount RM'000</b>
<b>Nature of item:</b>				
Direct credit substitutes	170,546	170,546	-	160,619
Transaction-related contingent items	238,893	119,446	-	107,930
Short-term self liquidating trade-related contingencies	562,758	112,551	-	104,991
Underwriting Obligations	-	-	-	-
Foreign exchange related contracts				
- one years or less	24,614,368	342,927	81,160	172,483
- over one year to five years	6,508,227	1,392,067	431,875	1,203,443
- over five years	298,668	64,642	11,172	32,321
Interest/ Profit rate related contracts				
- one years or less	8,332,110	40,276	34,093	20,126
- over one year to five years	25,552,387	838,301	284,608	424,622
- over five years	2,884,375	320,596	76,390	160,298
Any commitments that are unconditionally cancellable at any time by the bank without prior notice	21,173,532	-	-	-
Equity related contracts				
- one years or less	30,276	1,816	-	393
- over one year to five years	127,053	10,164	-	1,383
<b>Total</b>	<b>90,493,193</b>	<b>3,413,332</b>	<b>919,298</b>	<b>2,388,609</b>

<b>The Group 30 June 2009</b>	<b>Total Principal Amount RM'000</b>	<b>Total Credit Equivalent Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Risk Weighted Amount RM'000</b>
<b>Nature of item:</b>				
Direct credit substitutes	217,061	217,061	-	200,263
Transaction-related contingent items	247,102	123,551	-	110,598
Short-term self liquidating trade-related contingencies	578,754	115,750	-	113,434
Foreign exchange related contracts				
- one years or less	16,955,284	349,792	170,118	191,764
- over one year to five years	3,421,043	485,318	158,136	274,098
- over five years	298,668	62,884	9,414	31,442
Interest/ Profit rate related contracts				
- one years or less	9,848,229	46,175	36,764	23,223
- over one year to five years	26,247,637	996,737	341,719	504,359
- over five years	1,401,880	180,913	58,719	90,457
Any commitments that are unconditionally cancellable at any time by the bank without prior notice	18,806,674	-	-	-
Equity related contracts				
- one years or less	96,900	5,814	-	2,462
- over one year to five years	150,203	12,016	-	4,264
<b>Total</b>	<b>78,269,435</b>	<b>2,596,011</b>	<b>774,870</b>	<b>1,546,364</b>

## 21 Capital adequacy (continued)

### Disclosure on Off Balance Sheet and Counterparty Credit Risk

<b>The Bank 31 December 2009</b>	<b>Total Principal Amount RM'000</b>	<b>Total Credit Equivalent Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Risk Weighted Amount RM'000</b>
<b>Nature of item:</b>				
Direct credit substitutes	170,546	170,546	-	160,619
Transaction-related contingent items	237,976	118,988	-	107,472
Short-term self liquidating trade-related contingencies	561,985	112,397	-	104,837
Underwriting obligations				
Foreign exchange related contracts				
- one years or less	24,614,366	342,926	81,160	172,483
- over one year to five years	9,929,823	1,392,068	431,875	1,203,443
- over five years	298,668	64,642	11,172	32,321
Interest/ Profit rate related contracts				
- one years or less	8,332,110	40,276	34,093	20,126
- over one year to five years	25,552,387	838,301	284,608	424,622
- over five years	2,884,375	320,596	76,390	160,298
Any commitments that are unconditionally cancellable at any time by the bank without prior notice	19,901,525	-	-	-
Equity related contracts				
- one years or less	30,276	1,816	-	393
- over one year to five years	127,053	10,164	-	1,383
<b>Total</b>	<b>92,641,090</b>	<b>3,412,720</b>	<b>919,298</b>	<b>2,387,997</b>

<b>The Bank 30 June 2009</b>	<b>Total Principal Amount RM'000</b>	<b>Total Credit Equivalent Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Risk Weighted Amount RM'000</b>
<b>Nature of item:</b>				
Direct credit substitutes	217,061	217,061	-	200,263
Transaction-related contingent items	246,276	123,138	-	110,184
Short-term self liquidating trade-related contingencies	576,541	115,308	-	112,991
Foreign exchange related contracts				
- one years or less	16,955,284	349,792	170,118	191,764
- over one year to five years	3,421,043	485,318	158,136	274,098
- over five years	298,668	62,884	9,414	31,442
Interest/ Profit rate related contracts				
- one years or less	9,848,229	46,175	36,764	23,223
- over one year to five years	26,247,637	996,737	341,719	504,359
- over five years	1,401,880	180,913	58,719	90,457
Any commitments that are unconditionally cancellable at any time by the bank without prior notice	17,717,496	-	-	-
Equity related contracts				
- one years or less	96,900	5,814	-	2,462
- over one year to five years	150,203	12,016	-	4,264
<b>Total</b>	<b>77,177,218</b>	<b>2,595,156</b>	<b>774,870</b>	<b>1,545,507</b>

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

### Financial quarter ended 31/12/2009

	Personal Financial Services RM'000	Wholesale Banking		Takaful Business RM'000	Total RM'000
		Corporate & Commercial RM'000	Treasury RM'000		
<b><u>By business segment</u></b>					
External revenue	317,235	8,971	193,198	-	519,404
Inter-segment revenue	39,815	46,286	(86,101)	-	-
Segment revenue	<u>357,050</u>	<u>55,257</u>	<u>107,097</u>	-	<u>519,404</u>
Segment profit before taxation	147,497	28,011	88,583	-	264,091
Share of profit after tax of equity accounted associated company					27,194
Profit before taxation					<u>291,285</u>
Taxation and zakat					<u>(66,536)</u>
Profit after taxation					<u><u>224,749</u></u>

### Financial period ended 31/12/2009

	Personal Financial Services RM'000	Wholesale Banking		Takaful Business RM'000	Total RM'000
		Corporate & Commercial RM'000	Treasury RM'000		
<b><u>By business segment</u></b>					
External revenue	622,998	25,000	381,325	1,758	1,031,081
Inter-segment revenue	83,784	87,691	(171,475)	-	-
Segment revenue	<u>706,782</u>	<u>112,691</u>	<u>209,850</u>	<u>1,758</u>	<u>1,031,081</u>
Segment profit before taxation	301,702	50,253	170,630	(192)	522,393
Share of profit after tax of equity accounted associated company					57,719
Profit before taxation					<u>580,112</u>
Taxation and zakat					<u>(121,197)</u>
Profit after taxation					<u><u>458,915</u></u>
Segment assets	28,394,288	7,246,079	41,981,995	-	77,622,362
Unallocated assets					2,450,856
Total assets					<u><u>80,073,218</u></u>

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

	Corresponding quarter ended 31/12/2008				
	Personal Financial Services RM'000	Wholesale Banking			Total RM'000
		Corporate & Commercial RM'000	Treasury RM'000	Takaful Business RM'000	
<b><u>By business segment</u></b>					
External revenue	350,365	(25,103)	237,692	1,253	564,207
Inter-segment revenue	45,214	62,788	(108,002)	-	-
Segment revenue	<u>395,579</u>	<u>37,685</u>	<u>129,690</u>	<u>1,253</u>	<u>564,207</u>
Segment profit before taxation	203,713	10,340	107,732	(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			Total RM'000
		Corporate & Commercial RM'000	Treasury RM'000	Takaful Business RM'000	
<b><u>By business segment</u></b>					
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					<u>3,221,714</u>
Total assets					<u>79,292,994</u>

23 Property 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**

There are no material events subsequent to the end of the financial period ended 31 December 2009 except for the following:-

- (i) On 2 November 2009, HLB announced that it has entered into a joint venture agreement with Bank of Chengdu Co., Ltd (“BOCD”) to form a joint venture company to be known as Sichuan Jincheng Consumer Finance Limited Liability Company (“JV Co”) to operate a licensed consumer finance company in Chengdu, Sichuan, the People’s Republic of China (“PRC”) (“Proposed JV”). HLB will have 49% equity interest whilst BOCD will have the balance 51% equity interest in the JV Co.

The JV Co’s business will principally be in consumer financing. The registered capital of the JV Co shall be Renminbi (“RMB”) 320 million (approximately RM160 million) and HLB’s contribution shall be RMB156.8 million (approximately RM78.4 million).

Bank Negara Malaysia’s approval for the Proposed JV was obtained on 12 October 2009 and China Banking Regulatory Commission’s approval was obtained via its letter dated 6 January 2010.

- (ii) On 6 January 2010, HLB announced that Bank Negara Malaysia has, vide its letter dated 6 January 2010, no objection for HLB to commence negotiations with the Boards of EON Capital Berhad (“EONCAP”) and EON Bank Berhad (“EON Bank”) for the potential purchase of the assets and liabilities of EONCAP and EON Bank, including EONCAP’s equity interest in EON Bank.
- (iii) On 21 January 2010, CIMB Investment Bank Berhad, on behalf of HLB, announced that HLB had made an offer to acquire the entire assets and liabilities of EON Cap at an aggregate purchase consideration of RM4,921,781,997.20 to be satisfied fully in cash (“Offer”).
- (iv) On 27 January 2010, CIMB Investment Bank Berhad, on behalf of HLB, announced that HLB and EON Cap had mutually agreed to an extension of time until 2 February 2010 for EON Cap to confirm the following:
  - a. to table the Offer for consideration and approval by the shareholders of EON Cap at a general meeting and take steps to issue and despatch within 5 weeks from 21 January 2010 (“Date of Offer”) the notice of the general meeting and the shareholders’ circular; and
  - b. to finalise and make submissions to the relevant authorities within 4 weeks from the Date of Offer.
- (v) On 2 February 2010, CIMB Investment Bank Berhad, on behalf of HLB, announced that HLB had received a letter from EON Cap informing HLB that the Board of Directors of EON Cap had resolved not to table the Offer for consideration and approval by EON Cap’s shareholders, and not to submit any application to the relevant authorities for approval of the Offer. Accordingly, the Offer has lapsed.

#### **(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 2009 except for the following :-

- (i) On 9 January 2009, 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.

HLBVN was incorporated on 9 July 2009 and has commenced operations on 8 October 2009.

- (ii) On 8 April 2009, the Bank announced that it has entered into a sale and purchase agreement (“SPA”) with HLA Holdings Sdn Bhd (“HLAH”) for the disposal of its entire shareholding of 55,000,000 ordinary shares of RM1.00 each in Hong Leong Tokio Marine Takafu Berhad (“HLTMT”), representing 55% of the issued and paid-up share capital of HLTMT, to HLAH for cash.

The consideration for the proposed disposal will be based on the net assets of HLTMT as at the last day of the calendar month on which all the conditions precedent under the SPA have been fulfilled and/or waived or such other date as may be agreed by the parties thereto. The proceeds from the proposed disposal will be utilised by the Bank for working capital purposes.

The disposal of HLTMT was completed on 1 September 2009 and hence, HLTMT has ceased to be a subsidiary of HLB on event date.

## 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 31/12/2009			Financial Year Ended 30/06/2009		
	Principal Amount RM'000	Credit Equivalent RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent RM'000	Risk Weighted Amount RM'000
<b>The Group</b>						
Direct credit substitutes	170,546	170,546	160,619	217,061	217,061	200,263
Transaction-related contingent items	238,893	119,446	107,930	247,102	123,551	110,598
Short-term self liquidating trade-related contingencies	562,758	112,551	104,991	578,754	115,750	113,434
Irrevocable commitments to extend credit:						
- maturity more than 1 year	-	-	-	-	-	-
- maturity less than 1 year	-	-	-	-	-	-
Any commitments that are unconditionally cancellable at any time by the bank without prior notice	21,173,532	-	-	18,806,674	-	-
Foreign exchange related contracts	31,421,263	1,799,636	1,408,247	20,674,995	897,994	497,304
Interest rate related contracts	36,768,872	1,199,173	605,046	37,497,746	1,223,825	618,039
Equity related contracts	157,329	11,980	1,776	247,103	17,830	6,726
<b>Total</b>	<b>90,493,193</b>	<b>3,413,332</b>	<b>2,388,609</b>	<b>78,269,435</b>	<b>2,596,011</b>	<b>1,546,364</b>

25 Commitments and contingencies (continued)

	Financial Period Ended 31/12/2009			Financial Year Ended 30/06/2009		
	Principal Amount RM'000	Credit Equivalent RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent RM'000	Risk Weighted Amount RM'000
<b>The Bank</b>						
Direct credit substitutes	170,546	170,546	160,619	217,061	217,061	200,263
Transaction-related contingent items	237,976	118,988	107,472	246,276	123,138	110,184
Short-term self liquidating trade-related contingencies	561,985	112,397	104,837	576,541	115,308	112,991
Irrevocable commitments to extend credit:						
- maturity more than 1 year	-	-	-	-	-	-
- maturity less than 1 year	-	-	-	-	-	-
Any commitments that are unconditionally cancellable at any time by the bank without prior notice	19,901,525	-	-	17,717,496	-	-
Foreign exchange related contracts	34,842,857	1,799,636	1,408,247	20,674,995	897,994	497,304
Interest rate related contracts	36,768,872	1,199,173	605,046	37,497,746	1,223,825	618,039
Equity related contracts	157,329	11,980	1,776	247,103	17,830	6,726
<b>Total</b>	<b>92,641,090</b>	<b>3,412,720</b>	<b>2,387,997</b>	<b>77,177,218</b>	<b>2,595,156</b>	<b>1,545,507</b>

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.

a) Connected Parties (CP) Exposures as at 31 December 2009

	The Group RM 000	The Bank RM 000
Aggregate Value of Outstanding Credit Exposures with Connected Parties	1,911,538	1,909,957
Outstanding Credit Exposures to Connected Parties as a Proportion of Total Credit Exposures (%)	4.81%	5.34%
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

<u>Group</u> <u>As at 31 December 2009</u>	Non-trading book						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	Non Interest Sensitive RM'000			
<b>Assets</b>									
Cash and short term funds	13,862,771	-	-	-	-	620,755	-	14,483,526	1.9
Deposits & placement with banks & other financial institution	-	3,666,220	1,902,875	127,110	-	-	-	5,696,205	1.9
Securities held at fair value through profit and loss	-	-	-	-	-	-	7,279,944	7,279,944	3.4
Securities available-for-sale	5,011	512,080	523,332	3,551,305	460,906	81,238	-	5,133,872	3.6
Securities held-to-maturity	549,799	2,004,161	747,942	5,061,626	461,420	29,616	-	8,854,564	3.2
Loans, advances and financing									
- performing	29,573,503	71,159	189,746	3,365,272	2,345,866	(541,352)	-	35,004,194	5.7
- non-performing	-	-	-	-	-	370,019	-	370,019	
Other assets	-	-	-	-	-	1,290,233	-	1,290,233	
Statutory deposits with BNM	-	-	-	-	-	327,850	-	327,850	
Investment in associated companies	-	-	-	-	-	1,103,004	-	1,103,004	
Prepaid land lease payments	-	-	-	-	-	6,143	-	6,143	
Property, plant and equipment	-	-	-	-	-	346,842	-	346,842	
Intangible assets	-	-	-	-	-	36,680	-	36,680	
Deferred tax assets	-	-	-	-	-	140,142	-	140,142	
<b>Total assets</b>	<b>43,991,084</b>	<b>6,253,620</b>	<b>3,363,895</b>	<b>12,105,313</b>	<b>3,268,192</b>	<b>3,811,170</b>	<b>7,279,944</b>	<b>80,073,218</b>	
<b>Liabilities</b>									
Deposits from customers	34,905,923	7,445,399	15,283,133	1,341,919	-	7,192,003	-	66,168,377	1.9
Deposits & placement of banks & other financial institutions	2,856,972	1,360,190	103,468	-	-	3,611	-	4,324,241	0.9
Bills and acceptance payable	706	4,509	5,236	-	-	246,198	-	256,649	2.2
Other liabilities	-	-	-	-	-	2,461,075	-	2,461,075	-
Subordinated obligations	-	-	-	698,949	-	-	-	698,949	5.1
Provision for taxation	-	-	-	-	-	94,905	-	94,905	
<b>Total liabilities</b>	<b>37,763,601</b>	<b>8,810,098</b>	<b>15,391,837</b>	<b>2,040,868</b>	<b>-</b>	<b>9,997,792</b>	<b>-</b>	<b>74,004,196</b>	
Shareholders funds	-	-	-	-	-	6,069,022	-	6,069,022	
<b>Total liabilities and Shareholders' funds</b>	<b>37,763,601</b>	<b>8,810,098</b>	<b>15,391,837</b>	<b>2,040,868</b>	<b>-</b>	<b>16,066,814</b>	<b>-</b>	<b>80,073,218</b>	
On-balance sheet profit sensitivity gap	6,227,483	(2,556,478)	(12,027,942)	10,064,445	3,268,192				



## 27 b) Interest/Profit rate risk

<u>Group</u> <u>As at 30 June 2009</u>	Non-trading book						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	Non Interest Sensitive RM'000			
<b>Assets</b>									
Cash and short term funds	17,612,344	-	-	-	-	731,278	-	18,343,622	3.5
Deposits & placement with banks & other financial institution	-	4,578,406	813,546	25,168	-	-	-	5,417,120	3.0
Securities held at fair value through profit and loss	-	-	-	-	-	-	7,058,396	7,058,396	3.7
Securities available-for-sale	172,623	313,125	354,509	2,813,670	379,625	69,879	-	4,103,431	4.1
Securities held-to-maturity	3,889,641	464,024	264,532	1,581,103	126,048	29,679	-	6,355,027	3.5
Loans, advances and financing									
- performing	28,657,406	41,220	262,267	3,277,428	2,629,591	(537,738)	-	34,330,174	6.4
- non-performing	-	-	-	-	-	465,240	-	465,240	
Other assets	-	-	-	-	-	1,198,162	-	1,198,162	
Statutory deposits with BNM	-	-	-	-	-	368,564	-	368,564	
Investment in associated companies	-	-	-	-	-	1,045,285	-	1,045,285	
Prepaid and lease payments	-	-	-	-	-	6,185	-	6,185	
Property, plant and equipment	-	-	-	-	-	312,838	-	312,838	
Intangible assets	-	-	-	-	-	29,548	-	29,548	
Deferred tax assets	-	-	-	-	-	153,613	-	153,613	
General and Family Takaful fund assets	-	-	-	-	-	217,337	-	217,337	
<b>Total assets</b>	<b>50,332,014</b>	<b>5,396,775</b>	<b>1,694,854</b>	<b>7,697,369</b>	<b>3,135,264</b>	<b>4,089,870</b>	<b>7,058,396</b>	<b>79,404,542</b>	
<b>Liabilities</b>									
Deposits from customers	36,973,829	9,287,234	13,770,330	744,253	-	6,807,711	-	67,583,357	2.7
Deposits & placement of banks & other financial institutions	2,065,131	336,671	-	-	-	2,357	-	2,404,159	3.0
Bills and acceptance payable	576	4,366	7,476	-	-	238,968	-	251,386	3.5
Other liabilities	-	-	-	-	-	2,393,344	-	2,393,344	-
Subordinated obligations	-	-	-	729,566	-	-	-	729,566	5.2
Provision for taxation	-	-	-	-	-	48,541	-	48,541	
General and Family Takaful fund liabilities	-	-	-	-	-	8,278	-	8,278	
General and Family Takaful fund policyholders' fund	-	-	-	-	-	209,059	-	209,059	
<b>Total liabilities</b>	<b>39,039,536</b>	<b>9,628,271</b>	<b>13,777,806</b>	<b>1,473,819</b>	<b>-</b>	<b>9,708,258</b>	<b>-</b>	<b>73,627,690</b>	
Shareholders funds	-	-	-	-	-	5,776,852	-	5,776,852	
<b>Total liabilities and Shareholders' funds</b>	<b>39,039,536</b>	<b>9,628,271</b>	<b>13,777,806</b>	<b>1,473,819</b>	<b>-</b>	<b>15,485,110</b>	<b>-</b>	<b>79,404,542</b>	
On-balance sheet profit sensitivity gap	11,292,478	(4,231,496)	(12,082,952)	6,223,550	3,135,264				

## 27 c) Interest/Profit rate risk

<u>Bank</u> <u>As at 31 December 2009</u>	Non-trading book						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	Non Interest Sensitive RM'000			
<b>Assets</b>									
Cash and short term funds	12,338,241	-	-	-	-	320,850	-	12,659,091	2.1
Deposits & placement with banks & other financial instrument	-	3,565,475	1,902,875	-	-	-	-	5,468,350	2.1
Securities held at fair value through profit and loss	-	-	-	-	-	-	5,500,624	5,500,624	3.4
Securities available-for-sale	5,011	512,080	523,332	3,318,475	220,475	81,238	-	4,660,611	3.6
Securities held-to-maturity	549,799	2,004,161	747,942	5,061,626	-	29,041	-	8,392,569	3.1
Loans, advances and financing									
- performing	28,306,232	62,004	101,961	1,946,420	1,139,514	(473,398)	-	31,082,733	5.8
- non-performing	-	-	-	-	-	351,993	-	351,993	
Other assets	-	-	-	-	-	2,157,286	-	2,157,286	
Statutory deposits with BNM	-	-	-	-	-	282,150	-	282,150	
Investment in subsidiary	-	-	-	-	-	714,092	-	714,092	
Investment in associated companies	-	-	-	-	-	946,505	-	946,505	
Prepaid land lease payments	-	-	-	-	-	5,273	-	5,273	
Property, plant and equipment	-	-	-	-	-	325,886	-	325,886	
Intangible assets	-	-	-	-	-	35,096	-	35,096	
Deferred tax assets	-	-	-	-	-	123,472	-	123,472	
<b>Total assets</b>	<b>41,199,283</b>	<b>6,143,720</b>	<b>3,276,110</b>	<b>10,326,521</b>	<b>1,359,989</b>	<b>4,899,484</b>	<b>5,500,624</b>	<b>72,705,731</b>	
<b>Liabilities</b>									
Deposits from customers	30,816,480	6,803,230	14,072,788	1,204,598	-	6,787,766	-	59,684,862	1.9
Deposits & placement of banks & other financial institutions	2,891,143	1,160,190	1,882	-	-	3,611	-	4,056,826	2.0
Bills and acceptance payable	761	4,578	5,238	-	-	230,300	-	240,877	2.2
Other liabilities	-	-	-	-	-	2,384,303	-	2,384,303	
Subordinated obligations	-	-	-	698,949	-	-	-	698,949	5.1
Short term syndicated loan	-	-	-	-	-	-	-	-	-
Provision for taxation	-	-	-	-	-	70,728	-	70,728	
<b>Total liabilities</b>	<b>33,708,384</b>	<b>7,967,998</b>	<b>14,079,908</b>	<b>1,903,547</b>	<b>-</b>	<b>9,476,708</b>	<b>-</b>	<b>67,136,545</b>	
Shareholders funds						5,569,186		5,569,186	
<b>Total liabilities and Shareholders' funds</b>	<b>33,708,384</b>	<b>7,967,998</b>	<b>14,079,908</b>	<b>1,903,547</b>	<b>-</b>	<b>15,045,894</b>	<b>-</b>	<b>72,705,731</b>	
On-balance sheet profit sensitivity gap	7,490,899	(1,824,278)	(10,803,798)	8,422,974	1,359,989				

## 27 d) Interest/Profit rate risk

<b>Bank</b> <b>As at 30 June 2009</b>	← Non-trading book →						<b>Trading book</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>	<b>Effective interest rate</b> <b>%</b>
	<b>Up to 1 month</b> <b>RM'000</b>	<b>&gt;1-3 months</b> <b>RM'000</b>	<b>&gt;3-12 months</b> <b>RM'000</b>	<b>1-5 years</b> <b>RM'000</b>	<b>Over 5 years</b> <b>RM'000</b>	<b>Non Interest Sensitive</b> <b>RM'000</b>			
<b>Assets</b>									
Cash and short term funds	15,386,909	-	-	-	-	434,004	-	15,820,913	2.1
Deposits & placement with banks & other financial instrument	-	4,478,406	813,546	-	-	-	-	5,291,952	2.1
Securities held at fair value through profit and loss	-	-	-	-	-	-	5,095,423	5,095,423	3.3
Securities available-for-sale	172,624	293,442	349,982	2,482,729	202,992	68,618	-	3,570,387	3.5
Securities held-to-maturity	3,889,641	464,024	264,532	1,581,103	-	29,104	-	6,228,404	3.0
Loans, advances and financing									
- performing	27,534,112	28,069	171,137	1,944,147	1,284,834	(464,599)	-	30,497,700	6.1
- non-performing	-	-	-	-	-	440,386	-	440,386	
Other assets	-	-	-	-	-	1,477,380	-	1,477,380	
Statutory deposits with BNM	-	-	-	-	-	322,500	-	322,500	
Investment in subsidiary	-	-	-	-	-	575,746	-	575,746	
Investment in associated companies	-	-	-	-	-	946,505	-	946,505	
Prepaid land lease payments	-	-	-	-	-	5,311	-	5,311	
Property, plant and equipment	-	-	-	-	-	297,012	-	297,012	
Intangible assets	-	-	-	-	-	28,213	-	28,213	
Deferred tax assets	-	-	-	-	-	134,681	-	134,681	
<b>Total assets</b>	<b>46,983,286</b>	<b>5,263,941</b>	<b>1,599,197</b>	<b>6,007,979</b>	<b>1,487,826</b>	<b>4,294,861</b>	<b>5,095,423</b>	<b>70,732,513</b>	
<b>Liabilities</b>									
Deposits from customers	31,369,914	8,411,718	12,899,488	590,400	-	6,447,625	-	59,719,145	2.1
Deposits & placement of banks & other financial institutions	2,035,131	336,671	-	-	-	2,357	-	2,374,159	1.3
Bills and acceptance payable	704	4,353	7,514	-	-	222,682	-	235,253	2.1
Other liabilities	-	-	-	-	-	2,327,155	-	2,327,155	
Subordinated obligations	-	-	-	729,566	-	-	-	729,566	5.2
Provision for taxation	-	-	-	-	-	27,947	-	27,947	
<b>Total liabilities</b>	<b>33,405,749</b>	<b>8,752,742</b>	<b>12,907,002</b>	<b>1,319,966</b>	<b>-</b>	<b>9,027,766</b>	<b>-</b>	<b>65,413,225</b>	
Shareholders funds	-	-	-	-	-	5,319,288	-	5,319,288	
<b>Total liabilities and Shareholders' funds</b>	<b>33,405,749</b>	<b>8,752,742</b>	<b>12,907,002</b>	<b>1,319,966</b>	<b>-</b>	<b>14,347,054</b>	<b>-</b>	<b>70,732,513</b>	
On-balance sheet profit sensitivity gap	13,577,537	(3,488,801)	(11,307,805)	4,688,013	1,487,826				

## 28 Operations of Islamic Banking

### 28a Unaudited Balance Sheet as at 31 December 2009

	<u>The Group</u>	
	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>
<b>ASSETS</b>		
Cash and short-term funds	2,039,435	2,511,864
Deposits and placements with bank and other financial institutions	227,440	125,167
Securities - Held-for-trading	1,827,991	2,011,644
Securities - Available-for-trading	473,261	467,377
Securities - Held-to-maturity	461,995	126,623
Financing, advances and other financing	3,912,058	3,824,880
Other assets	16,088	7,615
Statutory deposits with Bank Negara Malaysia	45,700	46,064
Property, plant and equipment	1,640	1,794
Deferred tax assets	16,670	18,932
<b>Total Assets</b>	<b><u>9,022,278</u></b>	<b><u>9,141,960</u></b>
<b><u>LIABILITIES AND SHAREHOLDERS' FUNDS</u></b>		
Deposits from customers	7,171,366	7,979,898
Deposits and placements of banks and other financial institutions	693,412	30,000
Obligations on securities sold under purchase agreements	-	-
Bills and acceptance payable	15,772	16,133
Other liabilities	347,154	366,504
Provision for taxation	12,964	9,394
<b>Total Liabilities</b>	<b><u>8,240,668</u></b>	<b><u>8,401,929</u></b>
Islamic banking capital fund	500,000	500,000
Reserves	281,610	240,031
<b>Islamic Banking Funds</b>	<b><u>781,610</u></b>	<b><u>740,031</u></b>
<b>Total Liabilities and Islamic Banking Funds</b>	<b><u>9,022,278</u></b>	<b><u>9,141,960</u></b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b><u>1,273,697</u></b>	<b><u>1,092,217</u></b>

28 Operations of Islamic Banking (continued)

28b Unaudited Income Statements for the 2st Quarter and Cumulative Six Months Ended 31 December 2009

<u>Group</u>	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2009 RM'000	31/12/2008 RM'000	31/12/2009 RM'000	31/12/2008 RM'000
Income derive from investment of deposits' funds and others	73,494	90,397	146,677	184,018
Income derive from investment of shareholders' funds	10,793	7,467	20,183	19,550
Allowance for losses on financing	2,635	54	491	(145)
Profit equalisation reserve	1,540	(7,050)	4,642	(11,227)
<b>Total distributable income</b>	<b>88,462</b>	<b>90,868</b>	<b>171,993</b>	<b>192,196</b>
Income attributable to deposits	(37,939)	(52,473)	(75,534)	(110,543)
<b>Total net income</b>	<b>50,523</b>	<b>38,395</b>	<b>96,459</b>	<b>81,653</b>
Other operating expenses	(17,207)	(15,827)	(34,003)	(31,088)
<b>Profit before taxation and zakat</b>	<b>33,316</b>	<b>22,568</b>	<b>62,456</b>	<b>50,565</b>
Zakat	(12)	(13)	(25)	(29)
Taxation	(8,342)	(5,660)	(15,624)	(12,660)
<b>Profit after taxation and zakat</b>	<b>24,962</b>	<b>16,895</b>	<b>46,807</b>	<b>37,876</b>
Profit attributable to shareholders	24,962	16,895	46,807	37,876
Earning per share - basic (sen)	4.99	3.38	9.36	7.58
Earning per share - fully diluted (sen)	4.99	3.38	9.36	7.58

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

28c Financing, advances and other financing

**(i) By type**

	<u>The Group</u>	
	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>
Cash line	6,261	5,421
Term financing		
- Housing financing	3,903,104	3,562,624
- Hire purchase receivable	2,490,219	2,545,281
- Lease receivable	14,082	16,357
- Other term financing	431,582	348,544
Claims on customers under acceptance credit	42,102	46,206
Staff financing	11	18
Revolving credit	-	-
Others	542	623
	<u>6,887,903</u>	<u>6,525,074</u>
Less: Unearned income	(2,880,173)	(2,605,681)
	<u>4,007,730</u>	<u>3,919,393</u>
Less: Allowance for bad and doubtful financing		
- General	(68,197)	(73,486)
- Specific	(27,475)	(21,027)
	<u>(95,672)</u>	<u>(94,513)</u>
Total net financing, advances and other financing	<u><u>3,912,058</u></u>	<u><u>3,824,880</u></u>

**(ii) By contract**

	<u>The Group</u>	
	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>
Bai' Bithaman Ajil (deferred payment sale)	1,754,496	1,602,357
Ijarah (lease)	13,822	15,895
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,197,310	2,254,935
Murabahah (cost-plus)	42,102	46,206
	<u>4,007,730</u>	<u>3,919,393</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>	
	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>
At beginning	46,260	45,754
Classified as non-performing during the period	109,879	204,631
Reclassified as performing	(96,476)	(166,739)
Amount recovered	(13,722)	(24,237)
Amount written off	(165)	(13,149)
At end	<u>45,776</u>	<u>46,260</u>
Net non-performing financing, advances and other financing	<u>18,301</u>	<u>25,233</u>
Ratio of net non-performing financing, advances and other financing to total net financing, advances and other financing	<u>0.5%</u>	<u>0.6%</u>

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

28c Financing, advances and other financing (continued)

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

	<b><u>The Group</u></b>	
	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>
<b>General allowance</b>		
At beginning	73,486	65,025
Allowance made / (written back)	(5,289)	8,461
At end	<u>68,197</u>	<u>73,486</u>
As % of gross financing, advances and other financing less specific allowance	<u>1.7%</u>	<u>1.9%</u>
<b>Specific allowance</b>		
At beginning	21,027	24,734
Allowance made / (written back)	10,365	15,949
Amount recovered	(3,752)	(6,507)
Amount written off	(165)	(13,149)
At end	<u>27,475</u>	<u>21,027</u>



**28 Operations of Islamic Banking** (continued)28d Deposits from customer**By type of deposit**

	<b><u>The Group</u></b>	
	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>
<b>Non-Mudharabah</b>		
Demand deposits	420,318	375,930
Saving deposits	627,466	580,875
Negotiable Islamic Debt Certificate	182,045	1,215,890
Others	-	-
	<u>1,229,829</u>	<u>2,172,695</u>
<b>Mudharabah</b>		
Demand deposits	-	-
Saving deposits	617,976	569,063
General investment deposits	2,150,742	1,864,865
Specific investment deposits	3,172,819	3,373,275
Others	-	-
	<u>5,941,537</u>	<u>5,807,203</u>
	<u><u>7,171,366</u></u>	<u><u>7,979,898</u></u>

**HONG LEONG BANK BERHAD ("HLB" or "Bank")**  
**ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET 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 RM291.3 million for the current financial quarter ended 31 December 2009, a decrease of RM48.8 million or 14.4% as compared to previous corresponding quarter. The decrease was due to lower net interest income by RM17.2 million, lower non interest income by RM37.2 million and higher other operating expenses by RM21.2 million. This is however mitigated by higher share of profit from Bank of Chengdu by RM8.3 million, higher net income from Islamic banking business by RM9.6 million and impairment writeback of RM6.1 million.

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

The Group pre-tax profit for the six months ended 31 December 2009 stood at RM580.1 million, a decrease of RM75.9 million as compared to RM656.0 in the previous corresponding period. The decrease was due to lower net interest income by RM39.4 million, lower non interest income by RM58.1 million, higher allowance for losses on loans, advances and financing by RM29.1 million and higher other operating expenses by RM14.1 million. This is however mitigated by higher share of profit from Bank of Chengdu by RM11.3 million, impairment writeback of RM6.1 million as oppose to impairment charge of RM33.2 million in the previous financial year-to-date and higher net income from Islamic banking business by RM14.2 million.

**2 Review of performance of current quarter against preceding quarter**

For the current financial quarter, the Group recorded a pre-tax profit of RM291.3 million as compared to RM288.8 million in the preceding quarter, an increase of RM2.5 million mainly from higher net interest income by RM11.2 million, lower allowance for losses on loans, advances and financing by RM20.5 million and writeback of impairment loss of RM6.1 million. This is offset by lower non interest income by RM3.3 million, higher other operating expenses by RM28.5 million coupled with lower share of profit from Bank of Chengdu by RM3.3 million.

**3 Current year prospects**

The Group continues to be cautiously optimistic about the economic outlook for the rest of the year. We see signs that the Malaysian economy will regain its vibrancy in the second half of the financial year 2010 and consider ourselves well-positioned to take advantage of this upside potential. The Group will continue to focus on its core businesses emphasizing efficiency and optimal returns on client relationships.

**4 Variance in profit forecast and shortfall in profit guarantee**

This note is not applicable to the Group.

## 5 Taxation

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	RM'000	RM'000	RM'000	RM'000
<b>The Group</b>				
Malaysian income tax	65,486	80,711	120,553	157,005
Oversea tax	-	-	-	-
	<u>65,486</u>	<u>80,711</u>	<u>120,553</u>	<u>157,005</u>
Transfer from/(to) deferred taxation	1,038	2,138	619	(172)
	<u>66,524</u>	<u>82,849</u>	<u>121,172</u>	<u>156,833</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	RM'000	RM'000	RM'000	RM'000
<b>The Bank</b>				
Malaysian income tax	60,309	68,826	109,032	130,617
Oversea tax	-	-	-	-
	<u>60,309</u>	<u>68,826</u>	<u>109,032</u>	<u>130,617</u>
Transfer from/(to) deferred taxation	(647)	2,671	(1,864)	1,118
	<u>59,662</u>	<u>71,497</u>	<u>107,168</u>	<u>131,735</u>

The Group's and Bank's effective tax rate for the financial period 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 at the latest practicable date which was not earlier than 7 days from the issue of this report.

## 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>	
	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>
<b>Deposits from customers</b>				
Fixed deposits	37,539,436	36,857,055	32,226,787	31,670,086
Negotiable instruments of deposit	1,827,662	3,526,455	2,308,088	2,359,236
Demand deposits	7,193,337	6,807,711	6,787,765	6,447,625
Saving deposits	8,336,721	7,841,769	7,091,001	6,691,831
Short term corporate placement	11,075,403	11,908,438	11,075,403	11,908,438
Other	195,818	641,929	195,818	641,929
	<u>66,168,377</u>	<u>67,583,357</u>	<u>59,684,862</u>	<u>59,719,145</u>

The maturity structure of fixed deposits and negotiable instruments:

One year or less (short term)	38,073,850	39,687,928	33,330,277	33,438,922
More than one year (medium/long term)	1,293,248	695,582	1,204,598	590,400
	<u>39,367,098</u>	<u>40,383,510</u>	<u>34,534,875</u>	<u>34,029,322</u>

	<u>The Group</u>		<u>The Bank</u>	
	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>
<b>Deposits and placements of banks and other financial institutions</b>				
Licensed banks	3,951,905	2,202,304	3,930,905	2,172,304
Other financial institutions	372,336	201,855	125,921	201,855
	<u>4,324,241</u>	<u>2,404,159</u>	<u>4,056,826</u>	<u>2,374,159</u>

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

One year or less (short term)	4,324,241	2,404,159	4,056,826	2,374,159
More than one year (medium/long term)	-	-	-	-
	<u>4,324,241</u>	<u>2,404,159</u>	<u>4,056,826</u>	<u>2,374,159</u>

## 11 Subordinated bonds

	<b><u>The Group and The Bank</u></b>	
	<b>Financial Period Ended 31/12/2009 RM'000</b>	<b>Financial Year Ended 30/06/2009 RM'000</b>
Subordinated bonds		
- USD200 million	<u>698,949</u>	<u>729,566</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 2009

### 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	16,483,676	9,112,234	3,929,558	1,978,732	1,463,152	-	-
- swaps	13,719,449	2,813,276	1,313,020	1,132,875	1,653,382	6,656,907	149,989
- options	1,218,138	544,692	656,074	17,034	338	-	-
Interest rate related contracts							
- forwards	-	-	-	-	-	-	-
- futures	7,716,958	-	1,280,101	1,208,819	1,975,215	3,252,823	-
- swaps	29,051,914	164,000	659,223	1,328,937	1,715,814	22,137,344	3,046,596
Total	68,190,135	12,634,202	7,837,976	5,666,397	6,807,901	32,047,074	3,196,585

### 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	16,483,675	9,112,233	3,929,558	1,978,732	1,463,152	-	-
- swaps	17,141,044	2,813,276	1,313,020	1,132,875	1,653,382	10,078,502	149,989
- options	1,218,138	544,692	656,074	17,034	338	-	-
Interest rate related contracts							
- forwards	-	-	-	-	-	-	-
- futures	7,716,958	-	1,280,101	1,208,819	1,975,215	3,252,823	-
- swaps	29,051,914	164,000	659,223	1,328,937	1,715,814	22,137,344	3,046,596
Total	71,611,729	12,634,201	7,837,976	5,666,397	6,807,901	35,468,669	3,196,585

## **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 RM148,791,238 (FYE June 2009: RM77,554,000) and RM32,784,272,231 (FYE June 2009: RM36,134,979,496) 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 RM961,016,301 (FYE June 2009: RM739,996,514 ). 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 declared for the current quarter.

- (i) Amount per share: 9.0 sen (less 25% taxation).
- (ii) Previous corresponding quarter: 9.0 sen per share (less 25% taxation).
- (iii) Entitlement date: 15 March 2010
- (iv) Payment date: 30 March 2010

## 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.

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2009 RM'000	31/12/2008 RM'000	31/12/2009 RM'000	31/12/2008 RM'000
<b><u>The Group</u></b>				
Net profit attributable to shareholders of the company	224,749	257,427	458,960	499,470
Weighted average number of ordinary shares in issue ('000)	1,580,107	1,580,107	1,580,107	1,580,107
Less: Treasury shares held	(130,809)	(131,092)	(130,809)	(131,092)
	<u>1,449,298</u>	<u>1,449,015</u>	<u>1,449,298</u>	<u>1,449,015</u>
<b>Basic earnings per share (sen)</b>	15.5	17.8	31.7	34.5
<b><u>The Bank</u></b>				
Net profit attributable to shareholders of the company	185,075	210,861	364,937	386,401
Weighted average number of ordinary shares in issue ('000)	1,580,107	1,580,107	1,580,107	1,580,107
Less: Treasury shares held	(130,809)	(131,092)	(130,809)	(131,092)
	<u>1,449,298</u>	<u>1,449,015</u>	<u>1,449,298</u>	<u>1,449,015</u>
<b>Basic earnings per share (sen)</b>	12.8	14.6	25.2	26.7



**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.

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2009 RM'000	31/12/2008 RM'000	31/12/2009 RM'000	31/12/2008 RM'000
<b><u>The Group</u></b>				
Net profit attributable to shareholders of the company	224,749	257,427	458,960	499,470
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,449,298	1,449,015	1,449,298	1,449,015
- adjustment for ESOS	-	-	-	-
	<u>1,449,298</u>	<u>1,449,015</u>	<u>1,449,298</u>	<u>1,449,015</u>
<b>Fully diluted earnings per share (sen)</b>	15.5	17.8	31.7	34.5
<b><u>The Bank</u></b>				
Net profit attributable to shareholders of the company	185,075	210,861	364,937	386,401
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,449,298	1,449,015	1,449,298	1,449,015
- adjustment for ESOS	-	-	-	-
	<u>1,449,298</u>	<u>1,449,015</u>	<u>1,449,298</u>	<u>1,449,015</u>
<b>Fully diluted earnings per share (sen)</b>	12.8	14.6	25.2	26.7

**Dated this 24 February 2010**