

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Statements of Financial Position As At 30 September 2010

	The Group		The Bank	
	Financial Period Ended 30/09/2010	Financial Year Ended 30/06/2010	Financial Period Ended 30/09/2010	Financial Year Ended 30/06/2010
Note	RM'000	RM'000	RM'000	RM'000
<u>ASSETS</u>				
Cash and short-term funds	13,912,918	15,682,086	12,385,287	13,928,247
Deposits and placements with financial institutions	6,654,135	7,470,559	5,817,342	7,004,664
Securities purchased under resale agreements	189,124	-	189,124	-
Financial assets held for trading	8 11,896,996	8,836,753	9,740,010	6,703,224
Financial investments available-for-sale	9 5,801,284	4,428,770	4,519,280	3,859,367
Financial investments held-to-maturity	10 7,365,226	6,641,003	7,562,783	7,042,610
Loans, advances and financing	11 39,209,163	37,749,070	34,867,381	33,589,093
Other assets	12 1,624,279	1,718,603	1,721,125	2,014,821
Amount due from subsidiaries	-	-	701,219	1,009,958
Statutory deposits with Bank Negara Malaysia	388,850	394,000	343,000	347,000
Investment in subsidiary companies	-	-	875,554	714,092
Investment in associated company	1,209,026	1,172,175	946,505	946,505
Investment in jointly controlled entity	75,762	76,023	76,711	76,711
Prepaid land lease payments	14,054	14,139	13,191	13,274
Property, plant and equipment	342,718	332,845	319,755	311,163
Intangible assets	50,396	49,410	48,283	46,935
Deferred tax assets	117,232	140,137	98,138	122,544
Total Assets	88,851,163	84,705,573	80,224,688	77,730,208
<u>LIABILITIES AND SHAREHOLDERS' FUNDS</u>				
Deposits from customers	13 70,640,218	69,712,692	63,049,278	63,239,050
Deposits and placements of banks and other financial institutions	14 6,275,089	3,876,403	5,928,553	3,791,129
Bills and acceptances payable	827,585	304,140	805,125	285,366
Other liabilities	15 3,522,042	3,664,921	3,528,884	3,890,295
Subordinated Bonds	696,100	650,454	696,100	650,454
Provision for taxation	99,973	72,940	89,266	58,851
Total Liabilities	82,061,007	78,281,550	74,097,206	71,915,145
Share Capital	1,580,107	1,580,107	1,580,107	1,580,107
Reserves	5,891,244	5,531,824	5,228,570	4,922,864
Less: Treasury Shares	(681,195)	(687,908)	(681,195)	(687,908)
Total Shareholders' Equity	6,790,156	6,424,023	6,127,482	5,815,063
Minority interest	-	-	-	-
Total Equity	6,790,156	6,424,023	6,127,482	5,815,063
Total Liabilities and Equity	88,851,163	84,705,573	80,224,688	77,730,208
<u>COMMITMENTS AND CONTINGENCIES</u>	25 108,010,752	99,159,250	109,287,055	100,792,710
<u>CAPITAL ADEQUACY</u>				
<u>Before deducting proposed dividends</u>				
Core capital ratio	21 14.93%	15.50%	12.71%	13.34%
Risk-weighted capital ratio	21 15.06%	15.50%	12.71%	13.34%
<u>After deducting proposed dividends</u>				
Core capital ratio	21 14.53%	15.08%	12.28%	12.90%
Risk-weighted capital ratio	21 14.66%	15.08%	12.28%	12.90%
Net asset per share attributable to ordinary equity holders of the parent (RM) *	4.69	4.43	4.23	4.01

* 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 Statements
For The Financial Quarter Ended 30 September 2010

The Group

	Note	Current Quarter Ended 30/09/2010 RM'000	Corresponding Quarter Ended 30/09/2009 RM'000	Current Period Ended 30/09/2010 RM'000	Corresponding Period Ended 30/09/2009 RM'000
Interest income	16	709,501	624,868	709,501	624,868
Interest expense	17	(334,165)	(290,021)	(334,165)	(290,021)
Net interest income		375,336	334,847	375,336	334,847
Net income from Islamic Banking business		46,846	48,080	46,846	48,080
Other operating income	18	117,605	128,750	117,605	128,750
Net Income		539,787	511,677	539,787	511,677
Other operating expenses	19	(217,999)	(210,156)	(217,999)	(210,156)
Operating profit before provision Allowance for impairment on loans, advances and financing	20	321,788 (40,997)	301,521 (43,219)	321,788 (40,997)	301,521 (43,219)
Share of profit after tax of equity accounted associated company		280,791 36,851	258,302 30,525	280,791 36,851	258,302 30,525
Share of profit after tax of equity accounted joint venture company		(261)	-	(261)	-
Profit before taxation (and zakat)		317,381	288,827	317,381	288,827
Taxation		(60,167)	(54,648)	(60,167)	(54,648)
Zakat		(14)	(13)	(14)	(13)
Net profit for the period		<u>257,200</u>	<u>234,166</u>	<u>257,200</u>	<u>234,166</u>
Attributable to:					
Equity holders of the parent		257,200	234,211	257,200	234,211
Minority Interest		-	(45)	0	(45)
Net profit for the period		<u>257,200</u>	<u>234,166</u>	<u>257,200</u>	<u>234,166</u>
Earnings per share - basic (sen)		<u>17.7</u>	<u>16.2</u>	<u>17.7</u>	<u>16.2</u>
Earnings per share - fully diluted (sen)		<u>17.7</u>	<u>16.2</u>	<u>17.7</u>	<u>16.2</u>

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Statements of Comprehensive Income
For The Financial Quarter Ended 30 September 2010

The Group

	Current Quarter Ended 30/09/2010 RM'000	Corresponding Quarter Ended 30/09/2009 RM'000	Current Period Ended 30/09/2010 RM'000	Corresponding Period Ended 30/09/2009 RM'000
Net profit for the period	257,200	234,166	257,200	234,166
Other comprehensive income/(loss):				
Currency translation difference	(14,431)	(19)	(14,431)	(19)
Net fair value changes on financial investments available-for-sale	13,527	57,051	13,527	57,051
Income tax relating to components of other comprehensive income	(3,382)	(14,263)	(3,382)	(14,263)
Other comprehensive gain/(loss) for the financial period	(4,286)	42,769	(4,286)	42,769
Total comprehensive income for the financial period, net of tax	<u>252,914</u>	<u>276,935</u>	<u>252,914</u>	<u>276,935</u>
Attributable to:				
- Equity holders of the Company	252,914	276,980	252,914	276,980
- Minority interests	-	(45)	-	(45)
	<u>252,914</u>	<u>276,935</u>	<u>252,914</u>	<u>276,935</u>

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Income Statements
For The Financial Quarter Ended 30 September 2010

The Bank

	Note	Current Quarter Ended 30/09/2010 RM'000	Corresponding Quarter Ended 30/09/2009 RM'000	Current Period Ended 30/09/2010 RM'000	Corresponding Period Ended 30/09/2009 RM'000
Interest income	16	724,056	626,733	724,056	626,733
Interest expense	17	(352,184)	(291,088)	(352,184)	(291,088)
Net interest income		371,872	335,645	371,872	335,645
Other operating income	18	119,342	124,424	119,342	124,424
Net Income		491,214	460,069	491,214	460,069
Other operating expenses	19	(197,735)	(191,558)	(197,735)	(191,558)
Operating profit before provision Allowance for impairment on loans, advances and financing	20	293,479	268,511	293,479	268,511
Profit before taxation (and zakat)		260,524	227,368	260,524	227,368
Taxation		(61,383)	(47,506)	(61,383)	(47,506)
Profit after taxation		199,141	179,862	199,141	179,862
Profit attributable to shareholders		199,141	179,862	199,141	179,862
Earnings per share - basic (sen)		13.7	12.4	13.7	12.4
Earnings per share - fully diluted (sen)		13.7	12.4	13.7	12.4

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Statements of Comprehensive Income
For The Financial Quarter Ended 30 September 2010

The Bank

	Current Quarter Ended 30/09/2010 RM'000	Corresponding Quarter Ended 30/09/2009 RM'000	Current Period Ended 30/09/2010 RM'000	Corresponding Period Ended 30/09/2009 RM'000
Net profit for the period	199,141	179,862	199,141	179,862
Other comprehensive income/(loss):				
Currency translation difference	-	-	-	-
Net fair value changes on financial investments available-for-sale	10,329	56,197	10,329	56,197
Income tax relating to components of other comprehensive income	(2,582)	(14,049)	(2,582)	(14,049)
Other comprehensive gain/(loss) for the financial period	7,747	42,148	7,747	42,148
Total comprehensive income for the financial period, net of tax	<u>206,888</u>	<u>222,010</u>	<u>206,888</u>	<u>222,010</u>

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Statement of Changes in Equity For The Financial Period Ended 30 September 2010

<u>The Group</u>	← <u>Non-distributable</u> →				→ <u>Distributable</u>						
	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
Balance as at 1 July 2010	1,580,107	539,664	1,902,915	17,060	15,829	12,313	3,044,043	(687,908)	6,424,023	-	6,424,023
- Effect of adopting FRS 139	-	-	-	79,090	-	-	24,655	-	103,745	-	103,745
Balance as at 1 July 2010, as restated	1,580,107	539,664	1,902,915	96,150	15,829	12,313	3,068,698	(687,908)	6,527,768	-	6,527,768
Net profit for the period	-	-	-	-	-	-	257,200	-	257,200	-	257,200
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
- Net fair value changes in financial investments available-for-sale	-	-	-	10,145	-	-	-	-	10,145	-	10,145
- Currency translation difference	-	-	-	-	-	(14,431)	-	-	(14,431)	-	(14,431)
Total comprehensive income for the period	-	-	-	10,145	-	(14,431)	257,200	-	252,914	-	252,914
Transfer to statutory reserve	-	-	8,119	-	-	-	(8,119)	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-
ESOS exercised	-	-	-	-	(989)	-	1,637	6,713	7,361	-	7,361
Option charge arising from ESOS granted	-	-	-	-	2,113	-	-	-	2,113	-	2,113
Closing Balance @ 30 September 2010	1,580,107	539,664	1,911,034	106,295	16,953	(2,118)	3,319,416	(681,195)	6,790,156	-	6,790,156
Balance as at 1 July 2009	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
- Prior year adjustments	-	-	-	-	-	-	(72,627)	-	(72,627)	-	(72,627)
Balance as at 1 July 2009, as restated	1,580,107	539,664	1,860,821	(26,701)	13,022	37,050	2,356,326	(699,052)	5,661,237	42,988	5,704,225
Net profit for the period	-	-	-	-	-	-	234,211	-	234,211	(45)	234,166
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
- Net fair value changes in financial investments available-for-sale	-	-	-	42,788	-	-	-	-	42,788	-	42,788
- Currency translation difference	-	-	-	-	-	(19)	-	-	(19)	-	(19)
Total comprehensive income for the period	-	-	-	42,788	-	(19)	234,211	-	276,980	(45)	276,935
Transfer to statutory reserve	-	-	10,923	-	-	-	(10,923)	-	-	-	-
Disposal of subsidiary	-	-	-	-	-	-	-	-	-	(42,943)	(42,943)
Add: ESOS exercised	-	7	-	-	-	-	-	107	114	-	114
Option charge arising from ESOS granted	-	-	-	-	2,574	-	-	-	2,574	-	2,574
Closing Balance @ 30 September 2009	1,580,107	539,671	1,871,744	16,087	15,596	37,031	2,579,614	(698,945)	5,940,905	-	5,940,905

Hong Leong Bank Berhad
Condensed Financial Statements

Unaudited Statement of Changes in Equity For The Financial Period Ended 30 September 2010

	← 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 RM'000
The Bank									
Balance as at 1 July 2010	1,580,107	539,664	1,741,612	17,189	15,829	35,529	2,573,041	(687,908)	5,815,063
- Effect of adopting FRS 139	-	-	-	79,468	-	-	16,585	-	96,053
Balance as at 1 July 2010, as restated	<u>1,580,107</u>	<u>539,664</u>	<u>1,741,612</u>	<u>96,657</u>	<u>15,829</u>	<u>35,529</u>	<u>2,589,626</u>	<u>(687,908)</u>	<u>5,911,116</u>
Net profit for the period	-	-	-	-	-	-	199,141	-	199,141
Other comprehensive income									
- Net fair value changes in financial investments available-for-sale	-	-	-	7,747	-	-	-	-	7,747
- Currency translation difference	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,747</u>	<u>-</u>	<u>-</u>	<u>199,141</u>	<u>-</u>	<u>206,888</u>
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
ESOS exercised	-	-	-	-	(989)	-	1,641	6,713	7,365
Options charge arising from ESOS granted	-	-	-	-	2,113	-	-	-	2,113
Closing Balance @ 30 September 2010	<u>1,580,107</u>	<u>539,664</u>	<u>1,741,612</u>	<u>104,404</u>	<u>16,953</u>	<u>35,529</u>	<u>2,790,408</u>	<u>(681,195)</u>	<u>6,127,482</u>
Balance as at 1 July 2009	1,580,107	539,664	1,741,612	(27,654)	13,022	35,529	2,136,060	(699,052)	5,319,288
- Prior year adjustments	-	-	-	-	-	-	(72,627)	-	(72,627)
Balance as at 1 July 2009, as restated	<u>1,580,107</u>	<u>539,664</u>	<u>1,741,612</u>	<u>(27,654)</u>	<u>13,022</u>	<u>35,529</u>	<u>2,063,433</u>	<u>(699,052)</u>	<u>5,246,661</u>
Net profit for the period	-	-	-	-	-	-	179,862	-	179,862
Other comprehensive income									
- Net fair value changes in financial investments available-for-sale	-	-	-	42,148	-	-	-	-	42,148
- Currency translation difference	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,148</u>	<u>-</u>	<u>-</u>	<u>179,862</u>	<u>-</u>	<u>222,010</u>
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-
Add: ESOS exercised	-	7	-	-	-	-	-	107	114
Options charge arising from ESOS granted	-	-	-	-	2,574	-	-	-	2,574
Closing Balance @ 30 September 2009	<u>1,580,107</u>	<u>539,671</u>	<u>1,741,612</u>	<u>14,494</u>	<u>15,596</u>	<u>35,529</u>	<u>2,243,295</u>	<u>(698,945)</u>	<u>5,471,359</u>

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Condensed Statements of Cash Flows
For The Financial Period Ended 30 September 2010

	The Group		The Bank	
	Financial Period Ended 30/09/2010 RM'000	Financial Period Ended 30/09/2009 RM'000	Financial Period Ended 30/09/2010 RM'000	Financial Period Ended 30/09/2009 RM'000
Operating activities				
Profit before taxation	317,381	288,827	260,524	227,368
Adjustments for non-cash items	(132,849)	(58,247)	(148,965)	(64,417)
Operating profit before working capital changes	184,532	230,580	111,559	162,951
Income taxes and zakat paid	(47,797)	(16,317)	(41,083)	(8,890)
Net changes in working capital	542,058	(7,067,880)	41,625	(6,499,528)
Net cash flow from operating activities	678,793	(6,853,417)	112,101	(6,345,467)
Net cash flow from investing activities	(2,386,342)	(4,109,324)	(1,631,763)	(3,943,443)
Net cash flow from financing activities	(10,220)	(18,326)	(10,220)	(18,326)
Changes in cash and cash equivalents	(1,717,769)	(10,981,067)	(1,529,882)	(10,307,236)
Currency translation differences	(51,399)	8,196	(13,078)	55,227
Cash and cash equivalents at the beginning of year	15,682,086	18,343,622	13,928,247	15,820,913
Cash and cash equivalents at the end of period	13,912,918	7,370,751	12,385,287	5,568,904

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

NOTES TO THE AUDITED CONDENSED FINANCIAL STATEMENTS FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010

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 Guidelines on Financial Reporting for Banking Institutions (BNM/RH/GL 001-31) 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 2010.

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 2010 except for the first time adoption of the following standards, amendments to published standards and interpretations to existing standards:

FRS 101	Presentation of Financial Statements
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
FRS 7	Financial Instruments: Disclosure
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 13	Customer Loyalty Programmes

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

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 2010

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

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

a) Share Buy-back

There were no purchase of ordinary shares of RM1.00 each ('Shares') from the open market during the financial period ended 30 September 2010

The total number of Shares bought back, all of which were held as treasury shares as at 30 September 2010 amounted to 81,094,700 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 30 September 2010, the trust did not purchase any new shares. As at 30 September 2010, the total number of Treasury Shares for ESOS was 46,661,040 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) 200,000 shares options at an exercise price of RM7.49

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 30 September 2010, a total of 1,253,960 ordinary shares of RM1 each for cash were exercised pursuant to the Company's ESOS at exercise price above per ordinary share.

c) Subordinated Bonds

On 3 August 2010, the Bank had fully redeemed its US\$200 million Subordinated Callable Bonds Due 2015 ("Bonds"). The Bonds has been delisted from the Official Listing of the Singapore Exchange Securities Trading Limited following the redemption.

d) Subordinated Debt

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

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

7 Dividends paid

There were no dividends paid during the financial period under review.

8 Financial assets held-for-trading

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
Money market instruments:				
Malaysian Government Treasury				
Bills	122,912	251,599	53,996	-
Malaysian Government Securities	1,269,048	1,107,934	1,269,048	1,107,934
Malaysian Government Investment				
Certificates	1,273,261	1,116,703	886,914	803,122
Bank Negara Malaysia (BNM)				
Bills	4,284,607	2,417,684	3,605,187	1,962,500
Cagamas Bonds	200,000	254,998	150,000	204,998
Bankers' Acceptance and Islamic				
Accepted bills	3,734,454	2,771,744	3,309,988	2,161,167
Negotiable Instruments of Deposit	755,959	739,705	208,122	287,117
	<u>11,640,241</u>	<u>8,660,367</u>	<u>9,483,255</u>	<u>6,526,838</u>
Quoted securities:				
Foreign Currency Bonds	200,657	115,516	200,657	115,516
Unquoted securities:				
Private Debt Securities	56,098	60,870	56,098	60,870
Total financial assets held-for-trading	<u><u>11,896,996</u></u>	<u><u>8,836,753</u></u>	<u><u>9,740,010</u></u>	<u><u>6,703,224</u></u>

9 Financial investments available-for-sale

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
Money market instruments:				
Malaysian Government Investment				
Certificates	2,780,792	2,123,648	1,589,347	1,584,588
Other Government Securities	51,699	8,312	51,699	8,312
Government Treasury Bills	399,044	533,551	399,044	533,551
Malaysian Government Securities	513,572	1,076,631	513,572	1,076,631
Singapore Government securities	-	-	-	-
Cagamas Bonds	245,790	125,715	160,340	100,377
	<u>3,990,897</u>	<u>3,867,857</u>	<u>2,714,002</u>	<u>3,303,459</u>
Quoted Securities:				
Shares and Convertible Loan				
Stocks	99,152	91,650	99,152	91,650
Foreign Currency Bonds	458,925	335,881	458,925	335,881
Unit Trust Funds	1,000,100	-	1,000,100	-
Unquoted securities:				
Private Debt Securities	119,663	133,382	114,626	128,377
Shares	132,547	-	132,475	-
Total financial investments available-for-sale	<u>5,801,284</u>	<u>4,428,770</u>	<u>4,519,280</u>	<u>3,859,367</u>

10 Financial investments held-to-maturity

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
Money market instruments:				
Malaysian Government Securities	3,816,244	4,144,712	3,816,244	4,144,712
Malaysian Government Investment Certificates	1,312,277	1,312,548	916,753	916,983
Cagamas bonds	279,876	279,872	279,876	279,872
Negotiable Instruments of Deposit	1,759,294	680,588	2,422,641	1,547,309
Other government securities	4,729	3,374	-	-
	<u>7,172,420</u>	<u>6,421,094</u>	<u>7,435,514</u>	<u>6,888,876</u>
Unquoted securities:				
Shares	-	27,578	-	27,003
Private debt securities	192,037	191,562	126,500	125,962
Loan Stocks	769	769	769	769
	<u>192,806</u>	<u>219,909</u>	<u>127,269</u>	<u>153,734</u>
Total financial investments held-to-maturity	<u>7,365,226</u>	<u>6,641,003</u>	<u>7,562,783</u>	<u>7,042,610</u>

11 Loans, advances and financing

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
Overdrafts	2,109,753	2,036,810	2,108,047	2,033,395
Term loans:				
- Housing and shop loans/financing	23,751,068	22,534,948	18,704,226	18,200,159
- Syndicated term loan/financing	2,505,189	2,242,775	2,080,126	1,828,346
- Hire purchase receivables	5,852,102	5,650,823	3,327,704	3,183,902
- Lease receivables	10,731	11,866	-	-
- Other term loans/financing	2,426,336	2,244,026	2,273,013	2,098,015
Credit/charge card receivables	2,298,355	2,210,438	2,298,355	2,210,438
Bills receivables	360,039	268,725	359,899	268,725
Trust receipts	91,139	98,419	91,139	98,419
Claims on customers under acceptance credits	3,471,950	3,619,054	3,404,736	3,515,919
Block discounting	8,261	8,244	8,261	8,244
Revolving credits	1,683,219	1,365,401	1,683,219	1,365,401
Staff loans:				
Directors	-	-	-	-
Staffs other than Directors	87,782	99,531	87,767	99,528
Other loans/financing	44,241	40,769	43,813	40,302
	<u>44,700,165</u>	<u>42,431,829</u>	<u>36,470,305</u>	<u>34,950,793</u>
Unearned interest and income	(4,507,242)	(3,876,159)	(695,862)	(622,724)
Gross loans, advances and financing	<u>40,192,923</u>	<u>38,555,670</u>	<u>35,774,443</u>	<u>34,328,069</u>
Unamortised fair value changes arising from terminated fair value hedges	40,876	46,725	22,372	25,435
Allowance for impaired loans, advances and financing:				
- Collective assessment	(797,741)	-	(703,506)	-
- Individual assessment	(226,895)	-	(225,928)	-
- General	-	(577,822)	-	(511,615)
- Specific	-	(275,503)	-	(252,796)
Net loans, advances and financing	<u><u>39,209,163</u></u>	<u><u>37,749,070</u></u>	<u><u>34,867,381</u></u>	<u><u>33,589,093</u></u>

11 Loans, advances and financing (continued)

11a By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
Domestic non-bank financial institutions	174,011	178,501	168,121	174,251
Domestic business enterprises				
- Small and medium enterprises	3,642,711	3,349,519	3,317,390	3,074,735
- Others	8,425,587	8,271,816	7,854,144	7,683,774
Government and statutory bodies	254	278	254	278
Individuals	26,363,878	25,519,745	22,909,184	22,216,564
Other domestic entities	13,619	14,395	12,553	13,247
Foreign entities	1,572,863	1,221,416	1,512,797	1,165,220
Gross loans, advances and financing	<u>40,192,923</u>	<u>38,555,670</u>	<u>35,774,443</u>	<u>34,328,069</u>

11b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
Fixed rate				
- Housing and shop loans/financing	552,265	530,012	270,650	238,678
- Hire purchase receivables	5,066,961	4,924,898	2,867,809	2,757,962
- Other fixed rate loan/financing	3,633,081	3,279,953	3,563,173	3,209,150
Variable rate				
- Base lending rate plus	26,174,646	25,141,613	24,306,895	23,546,220
- Cost plus	4,660,614	4,606,547	4,660,614	4,503,412
- Other variables rates	105,356	72,647	105,302	72,647
Gross loans, advances and financing	<u>40,192,923</u>	<u>38,555,670</u>	<u>35,774,443</u>	<u>34,328,069</u>

11 Loans, advances and financing (continued)

11c By economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
Purchase of securities	455,192	414,513	455,192	414,420
Purchase of transport vehicles	5,135,580	4,834,160	2,953,071	2,753,057
Purchase of landed properties				
- residential	16,639,775	14,930,332	15,095,833	13,582,028
- non-residential	4,938,909	4,436,355	4,699,756	4,239,732
Personal use	1,532,710	2,994,401	1,529,160	2,929,720
Credit card	2,298,355	2,210,438	2,298,355	2,210,438
Purchase of consumer durables	70	62	70	62
Construction	284,072	298,512	272,748	273,602
Working capital	8,612,892	8,388,912	8,179,720	7,885,786
Others	295,368	47,985	290,538	39,224
Gross loans, advances and financing	<u>40,192,923</u>	<u>38,555,670</u>	<u>35,774,443</u>	<u>34,328,069</u>

11d By geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
Malaysia	38,921,969	37,633,753	34,503,489	33,406,152
Singapore	1,260,231	921,917	1,260,231	921,917
Vietnam	10,723	-	10,723	-
Gross loans, advances and financing	<u>40,192,923</u>	<u>38,555,670</u>	<u>35,774,443</u>	<u>34,328,069</u>

11 Loans, advances and financing (continued)

11e By residual contractual maturity

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
Within one year	11,927,719	11,078,560	11,596,146	9,057,329
One year to less than three years	2,879,788	2,737,654	2,185,812	2,041,299
Three years to less than five years	3,283,150	3,050,511	2,496,943	2,280,991
Five years and more	22,102,266	21,688,945	19,495,542	20,948,450
Gross loans, advances and financing	<u>40,192,923</u>	<u>38,555,670</u>	<u>35,774,443</u>	<u>34,328,069</u>

11f Impaired loans, advances and financing/non-performing loans by economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
Purchase of securities	11,944	10,264	11,944	10,264
Purchase of transport vehicles	49,618	40,252	30,491	23,512
Purchase of landed properties				
- residential	240,374	201,359	222,638	185,699
- non-residential	64,547	55,633	63,645	55,028
Personal use	67,770	53,792	67,764	53,407
Credit card	27,245	27,859	27,245	27,859
Construction	24,251	15,907	24,251	15,772
Working capital	411,793	321,662	408,383	318,863
Others	2,090	7	1,912	7
	<u>899,632</u>	<u>726,735</u>	<u>858,273</u>	<u>690,411</u>

11 Loans, advances and financing (continued)

11g Impaired loans, advances and financing/non-performing loans by geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
Malaysia	856,233	685,504	814,874	649,180
Singapore	43,399	41,231	43,399	41,231
Vietnam	-	-	-	-
	<u>899,632</u>	<u>726,735</u>	<u>858,273</u>	<u>690,411</u>

11h Movements in impaired loans, advances and financing/non-performing loans are as follows:

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
At 1 July				
- as previously stated	726,735	800,159	690,411	753,899
- effect of adopting FRS 139	203,467	-	197,035	-
At 1 July, as restated	<u>930,202</u>	<u>800,159</u>	<u>887,446</u>	<u>753,899</u>
Classified as impaired/non-performing during the period/year	161,716	2,910,070	147,319	2,674,909
Reclassified as non-impaired/performing	(93,569)	(2,482,001)	(84,043)	(2,270,796)
Amount written back in respect of recoveries	(65,948)	(287,538)	(59,680)	(263,371)
Amount written off	(33,287)	(211,944)	(33,287)	(202,219)
Exchange differences	518	(2,011)	518	(2,011)
Closing balance	<u>899,632</u>	<u>726,735</u>	<u>858,273</u>	<u>690,411</u>
Gross impaired /non-performing loan as a % of gross loans advances and financing	<u>2.2%</u>	<u>1.9%</u>	<u>2.4%</u>	<u>2.0%</u>

11 Loans, advances and financing (continued)

11i Movements in allowance for impaired loans, advances and financing are as follows:

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
<u>Collective Assessment Allowance</u>				
At 1 July				
- as previously stated	-	-	-	-
- effect of adopting FRS 139	769,545	-	684,670	-
At 1 July, as restated	769,545	-	684,670	-
Allowance made during the period/year	81,678	-	69,225	-
Amount written back in respect of recoveries	(21,065)	-	(18,223)	-
Amount written off	(29,475)	-	(29,475)	-
Unwinding income	(3,106)	-	(2,855)	-
Exchange differences	164	-	164	-
Closing balance	797,741	-	703,506	-
As a % of gross loans, advances and financing less loans exempted from individual assessment allowance	2.0%	-	2.0%	-
<u>Individual Assessment Allowance</u>				
At 1 July				
- as previously stated	-	-	-	-
- effect of adopting FRS 139	228,018	-	226,724	-
At 1 July, as restated	228,018	-	226,724	-
Allowance made during the period/year	4,272	-	4,272	-
Amount written back in respect of recoveries	(2,499)	-	(2,196)	-
Amount written off	-	-	-	-
Unwinding income	(3,141)	-	(3,117)	-
Exchange differences	245	-	245	-
Closing balance	226,895	-	225,928	-

11 Loans, advances and financing (continued)

11i Movements in allowance for impaired loans, advances and financing are as follows (continued):

General Allowance

At 1 July				
- as previously stated	577,822	544,823	511,615	471,305
- effect of adopting FRS 139	(577,822)	-	(511,615)	-
At 1 July, as restated	-	544,823	-	471,305
Net allowance made during the period/year	-	33,593	-	40,905
Exchange differences	-	(594)	-	(595)
Closing balance	-	577,822	-	511,615
As a % of gross loans, advances and financing less specific allowance	-	1.5%	-	1.5%

Specific Allowance

At 1 July				
- as previously stated	275,503	327,834	252,796	306,807
- effect of adopting FRS 139	(275,503)	-	(252,796)	-
At 1 July, as restated	-	327,834	-	306,807
Allowance made during the period/year	-	289,332	-	269,501
Amount written back in respect of recoveries	-	(128,452)	-	(120,026)
Amount written off	-	(211,944)	-	(202,219)
Exchange differences	-	(1,267)	-	(1,267)
Closing balance	-	275,503	-	252,796

12 Other assets

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
Interest/Income receivable	171,556	173,155	127,034	154,430
Other debtors, deposits and prepayments	1,451,446	1,544,171	1,592,814	1,859,114
Foreclosed properties	1,277	1,277	1,277	1,277
	<u>1,624,279</u>	<u>1,718,603</u>	<u>1,721,125</u>	<u>2,014,821</u>

13 Deposits from customers

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
<u>By type of customer</u>				
Government and statutory bodies	1,493,104	856,715	352,229	301,097
Business enterprises	33,747,292	34,198,672	29,446,058	30,186,453
Individuals	33,944,103	33,353,132	31,966,418	31,601,960
Others	1,455,719	1,304,173	1,284,573	1,149,540
	<u>70,640,218</u>	<u>69,712,692</u>	<u>63,049,278</u>	<u>63,239,050</u>

14 Deposits and placements of banks and other financial institution

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
Licensed banks	5,824,811	3,583,826	5,767,811	3,577,032
Other financial institutions	450,278	292,577	160,742	214,097
	<u>6,275,089</u>	<u>3,876,403</u>	<u>5,928,553</u>	<u>3,791,129</u>

15 Other liabilities

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
Interest/Profit payable	296,172	377,061	220,559	339,044
Zakat	49	50	-	-
Post employment benefits obligation				
- defined contribution plan	3,116	3,113	3,116	3,113
Loan advance payment	1,036,963	982,043	965,197	927,380
Amount due to subsidiary companies	-	-	71,292	70,968
Others	2,185,742	2,302,654	2,268,720	2,549,790
	<u>3,522,042</u>	<u>3,664,921</u>	<u>3,528,884</u>	<u>3,890,295</u>

16 Interest income

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2010	30/09/2009	30/09/2010	30/09/2009
	RM'000	RM'000	RM'000	RM'000
Group				
Loan, advances and financing	440,916	409,668	440,916	409,668
Money at call and deposit placements with financial institutions	108,069	72,131	108,069	72,131
Securities purchased under resale agreements	253	6	253	6
Financial assets held-for-trading	21,219	15,888	21,219	15,888
Financial investments available-for-sale	26,789	38,531	26,789	38,531
Financial investments held-to-maturity	107,972	88,566	107,972	88,566
Others	4,283	78	4,283	78
	<u>709,501</u>	<u>624,868</u>	<u>709,501</u>	<u>624,868</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>6,247</u>	<u>-</u>	<u>6,247</u>	<u>-</u>

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2010	30/09/2009	30/09/2010	30/09/2009
	RM'000	RM'000	RM'000	RM'000
Bank				
Loan, advances and financing	440,637	410,890	440,637	410,890
Money at call and deposit placements with financial institutions	108,774	72,816	108,774	72,816
Securities purchased under resale agreements	253	6	253	6
Financial assets held-for-trading	21,219	16,113	21,219	16,113
Financial investments available-for-sale	26,789	38,264	26,789	38,264
Financial investments held-to-maturity	114,272	88,566	114,272	88,566
Others	12,112	78	12,112	78
	<u>724,056</u>	<u>626,733</u>	<u>724,056</u>	<u>626,733</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>5,972</u>	<u>-</u>	<u>5,972</u>	<u>-</u>

17 Interest expense

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2010	30/09/2009	30/09/2010	30/09/2009
	RM'000	RM'000	RM'000	RM'000
Group				
Deposits and placements of banks and other financial institutions	14,249	7,825	14,249	7,825
Deposits from customers	231,834	227,781	231,834	227,781
Short term corporate placements	79,190	45,301	79,190	45,301
Subordinated bonds	8,718	9,104	8,718	9,104
Others	174	10	174	10
	<u>334,165</u>	<u>290,021</u>	<u>334,165</u>	<u>290,021</u>

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2010	30/09/2009	30/09/2010	30/09/2009
	RM'000	RM'000	RM'000	RM'000
Bank				
Deposits and placements of banks and other financial institutions	14,974	8,510	14,974	8,510
Deposits from customers	249,128	228,163	249,128	228,163
Short term corporate placements	79,190	45,301	79,190	45,301
Subordinated bonds	8,718	9,104	8,718	9,104
Others	174	10	174	10
	<u>352,184</u>	<u>291,088</u>	<u>352,184</u>	<u>291,088</u>

18 Other operating income

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2010	30/09/2009	30/09/2010	30/09/2009
	RM'000	RM'000	RM'000	RM'000
Group				
(a) <u>Fee income:</u>				
Commissions	17,057	17,942	17,057	17,942
Service charges and fees	4,271	4,349	4,271	4,349
Guarantee fees	1,395	1,370	1,395	1,370
Other fee income	59,287	50,000	59,287	50,000
	<u>82,010</u>	<u>73,661</u>	<u>82,010</u>	<u>73,661</u>
(b) <u>Gain/loss arising from sale of financial assets:</u>				
Net gain from sale of financial assets held-for-trading and derivatives	26,316	12,919	26,316	12,919
Net gain from sale of financial investments available-for-sale	3,930	254	3,930	254
Net gain from redemption of financial investments held-to-maturity	20	974	20	974
	<u>30,266</u>	<u>14,147</u>	<u>30,266</u>	<u>14,147</u>
(c) <u>Gross dividend income from:</u>				
Financial assets held-for-trading	-	-	-	-
Financial investments available-for-sale	7,378	1,293	7,378	1,293
Financial investments held-to-maturity	-	3,396	-	3,396
	<u>7,378</u>	<u>4,689</u>	<u>7,378</u>	<u>4,689</u>

18 Other operating income (continued)

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2010 RM'000	30/09/2009 RM'000	30/09/2010 RM'000	30/09/2009 RM'000
(d) <u>Net unrealised gains/(losses) on revaluation of financial assets held-for-trading and derivatives</u>	<u>(5,470)</u>	<u>1,895</u>	<u>(5,470)</u>	<u>1,895</u>
(e) <u>Net realised gains/(losses) on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges</u>	<u>(4,902)</u>	<u>(193)</u>	<u>(4,902)</u>	<u>(193)</u>
(f) <u>Net unrealised gains/(losses) on fair value changes arising from fair value hedges</u>	<u>(4,617)</u>	<u>165</u>	<u>(4,617)</u>	<u>165</u>
(g) <u>Other income:</u>				
Foreign exchange gain	7,720	27,119	7,720	27,119
Rental income	152	179	152	179
Gain on disposal of property and equipment (net)	(4)	(5)	(4)	(5)
Profit from Takaful investments	-	1,758	-	1,758
Others	5,072	5,335	5,072	5,335
	<u>12,940</u>	<u>34,386</u>	<u>12,940</u>	<u>34,386</u>
Total other operating income	<u>117,605</u>	<u>128,750</u>	<u>117,605</u>	<u>128,750</u>

18 Other operating income

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2010	30/09/2009	30/09/2010	30/09/2009
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
(a) <u>Fee income:</u>				
Commissions	17,056	17,941	17,056	17,941
Service charges and fees	4,272	4,349	4,272	4,349
Guarantee fees	1,395	1,370	1,395	1,370
Other fee income	59,294	50,006	59,294	50,006
	<u>82,017</u>	<u>73,666</u>	<u>82,017</u>	<u>73,666</u>
(b) <u>Gain/loss arising from sale of financial assets:</u>				
Net gain from sale of financial assets held-for-trading and derivatives	26,316	12,919	26,316	12,919
Net gain from sale of financial investments available-for-sale	3,930	254	3,930	254
Net gain from redemption of financial investments held-to-maturity	20	974	20	974
	<u>30,266</u>	<u>14,147</u>	<u>30,266</u>	<u>14,147</u>
(c) <u>Gross dividend income from:</u>				
Subsidiary companies	-	-	-	-
Associated company	-	-	-	-
Financial assets held-for-trading	-	-	-	-
Financial investments available-for-sale	7,378	1,293	7,378	1,293
Financial investments held-to-maturity	-	3,396	-	3,396
	<u>7,378</u>	<u>4,689</u>	<u>7,378</u>	<u>4,689</u>

18 Other operating income (continued)

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2010	30/09/2009	30/09/2010	30/09/2009
	RM'000	RM'000	RM'000	RM'000
(d) <u>Net unrealised gains/(losses) on revaluation of financial assets held-for-trading and derivatives</u>	<u>(5,470)</u>	<u>4,990</u>	<u>(5,470)</u>	<u>4,990</u>
(e) <u>Net realised gains/(losses) on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges</u>	<u>(2,117)</u>	<u>(193)</u>	<u>(2,117)</u>	<u>(193)</u>
(f) <u>Net unrealised gains/(losses) on fair value changes arising from fair value hedges</u>	<u>(4,617)</u>	<u>(2,574)</u>	<u>(4,617)</u>	<u>(2,574)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	7,152	27,106	7,152	27,106
Rental income	152	179	152	179
Gain on disposal of property and equipment (net)	-	(6)	-	(6)
Gain/(Loss) on disposal of subsidiary	-	(2,239)	-	(2,239)
Others	4,581	4,659	4,581	4,659
	<u>11,885</u>	<u>29,699</u>	<u>11,885</u>	<u>29,699</u>
Total other operating income	<u>119,342</u>	<u>124,424</u>	<u>119,342</u>	<u>124,424</u>

19 Other operating expenses

<u>Group</u>	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2010	30/09/2009	30/09/2010	30/09/2009
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	109,238	101,093	109,238	101,093
- Others	8,798	8,565	8,798	8,565
<u>Establishment costs</u>				
- Depreciation equipment	12,657	11,024	12,657	11,024
- Depreciation of Prepaid Lease	140	21	140	21
- Amortisation of intangible assets	4,338	2,991	4,338	2,991
- Rental	11,290	11,093	11,290	11,093
- Information technology expenses	8,305	11,198	8,305	11,198
- Others	11,105	9,716	11,105	9,716
<u>Marketing expenses</u>				
- Advertisement and publicity	6,151	14,660	6,151	14,660
- Handling fees	-	1,010	-	1,010
- Others	14,106	10,543	14,106	10,543
<u>Administration and general expenses</u>				
- Teletransmission expenses	908	1,500	908	1,500
- Stationery & printing	2,261	2,962	2,261	2,962
- Others	28,702	23,780	28,702	23,780
	<u>217,999</u>	<u>210,156</u>	<u>217,999</u>	<u>210,156</u>

19 Other operating expenses (continued)

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2010 RM'000	30/09/2009 RM'000	30/09/2010 RM'000	30/09/2009 RM'000
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	94,366	88,715	94,366	88,715
- Others	7,848	7,763	7,848	7,763
<u>Establishment costs</u>				
- Depreciation equipment	12,351	10,783	12,351	10,783
- Depreciation of Prepaid Lease	138	19	138	19
- Amortisation of intangible assets	4,003	2,911	4,003	2,911
- Rental	10,001	10,481	10,001	10,481
- Information technology expenses	8,081	10,906	8,081	10,906
- Others	9,315	8,435	9,315	8,435
<u>Marketing expenses</u>				
- Advertisement and publicity	6,021	14,245	6,021	14,245
- Handling fees	-	444	-	444
- Others	14,060	9,690	14,060	9,690
<u>Administration and general expenses</u>				
- Teletransmission expenses	866	1,484	866	1,484
- Stationery & printing	2,221	2,894	2,221	2,894
- Others	28,464	22,788	28,464	22,788
	<u>197,735</u>	<u>191,558</u>	<u>197,735</u>	<u>191,558</u>

20 Allowance for impairment on loans, advances and financing

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2010	30/09/2009	30/09/2010	30/09/2009
	RM'000	RM'000	RM'000	RM'000
Group				
Allowance for impaired loans and financing:				
- collective assessment allowance	60,613	-	60,613	-
- individual assessment allowance	1,773	-	1,773	-
- general allowance (net)	-	4,660	-	4,660
- specific allowance	-	79,866	-	79,866
- specific allowance written back	-	(22,623)	-	(22,623)
Bad debts and financing written off	2,066	1,764	2,066	1,764
Bad debts and financing recovery	(23,455)	(20,448)	(23,455)	(20,448)
	<u>40,997</u>	<u>43,219</u>	<u>40,997</u>	<u>43,219</u>

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2010	30/09/2009	30/09/2010	30/09/2009
	RM'000	RM'000	RM'000	RM'000
Bank				
Allowance for impaired loans and financing:				
- collective assessment allowance	51,002	-	51,002	-
- individual assessment allowance	2,076	-	2,076	-
- general allowance (net)	-	4,749	-	4,749
- specific allowance	-	74,683	-	74,683
- specific allowance written back	-	(20,452)	-	(20,452)
Bad debts and financing written off	1,945	1,667	1,945	1,667
Bad debts and financing recovery	(22,068)	(19,504)	(22,068)	(19,504)
	<u>32,955</u>	<u>41,143</u>	<u>32,955</u>	<u>41,143</u>

21 Capital adequacy

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
<u>Components of Tier-1 and Tier-2 Capital</u>				
Tier-1 capital				
Paid up share capital	1,580,107	1,580,107	1,580,107	1,580,107
Share premium	539,664	539,664	539,664	539,664
Retained profit	3,060,579	3,044,043	2,589,626	2,573,041
Other reserves	1,940,300	1,931,057	1,794,094	1,792,970
Less: Treasury shares	(681,195)	(687,908)	(681,195)	(687,908)
Less: Deferred tax assets	(140,137)	(140,137)	(122,544)	(122,544)
Total tier-1 capital	6,299,318	6,266,826	5,699,752	5,675,330
Tier-2 capital				
Collective assessment [^]	603,348	-	530,323	-
General allowance	-	577,822	-	511,615
Subordinated bonds	700,000	647,500	700,000	647,500
Total tier-2 capital	1,303,348	1,225,322	1,230,323	1,159,115
Total capital	7,602,666	7,492,148	6,930,075	6,834,445
Less: Investment in subsidiary companies	-	-	(875,554)	(714,092)
Less: Investment in associated company	(1,172,175)	(1,172,175)	(946,505)	(946,505)
Less: Investment in jointly controlled entity	(76,023)	(76,023)	(76,711)	(76,711)
Total capital base	6,354,468	6,243,950	5,031,305	5,097,137
<u>Before deducting proposed dividends</u>				
Core Capital Ratio	14.93%	15.50% *	12.71% *	13.34% *
Risk-weighted Capital Ratio	15.06%	15.50% *	12.71% *	13.34% *
<u>After deducting proposed dividends</u>				
Core Capital Ratio	14.53%	15.08% *	12.28% *	12.90% *
Risk-weighted Capital Ratio	14.66%	15.08% *	12.28% *	12.90% *

[^] BNM's transitional provision portion

* As stipulated under BNM Guidelines, the Group's and Bank's core capital ratio equals to the risk-weighted capital ratio, as the deductions of investments in subsidiary companies, associated company and jointly controlled entity from total capital is in excess of Tier-2 capital.

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 *
As at 30 September 2010	
<u>Before deducting proposed</u>	
<u>dividends:</u>	
Core capital ratio	19.22%
Risk-weighted capital ratio	<u>20.95%</u>
<u>After deducting proposed</u>	
<u>dividends:</u>	
Core capital ratio	18.64%
Risk-weighted capital ratio	<u>20.38%</u>
As at 30 June 2010	
<u>Before deducting proposed</u>	
<u>dividends:</u>	
Core capital ratio	19.74%
Risk-weighted capital ratio	<u>21.37%</u>
<u>After deducting proposed</u>	
<u>dividends:</u>	
Core capital ratio	19.15%
Risk-weighted capital ratio	<u>20.78%</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

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

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
Risk-weighted assets for credit risk	36,132,396	33,410,804	33,907,410	31,915,225
Risk-weighted assets for market risk	2,108,384	2,959,318	2,087,100	2,720,655
Risk-weighted assets for operational risk	3,943,401	3,912,306	3,593,584	3,566,649
Total risk-weighted assets	<u>42,184,181</u>	<u>40,282,428</u>	<u>39,588,094</u>	<u>38,202,529</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
30 September 2010

Exposure Class	Gross Exposures	Net Exposures	Risk-Weighted Assets	Total Risk-Weighted Assets after Effects of PSIA	Capital Requirements
1 Credit Risk					
On Balance Sheet Exposures					
Sovereigns/Central Banks	19,097,456	19,097,456	-	-	-
Public Sector Entities	38,306	38,306	7,661	7,661	613
Banks, DFI & MDBs	12,544,768	12,544,768	4,051,466	4,051,466	324,117
Insurance Companies, Securities Firms & Fund Managers	137,376	137,376	137,376	137,376	10,990
Corporates	11,264,994	10,783,966	10,309,156	10,309,156	824,732
Regulatory Retail	16,636,823	16,285,768	12,214,324	12,214,324	977,146
Residential Mortgages	11,750,281	11,749,873	4,496,562	4,496,562	359,725
Higher Risk Assets	159,831	159,831	239,751	239,751	19,180
Other Assets	2,220,879	2,220,879	1,276,017	1,276,017	102,081
Defaulted Exposures	659,035	658,629	853,664	853,664	68,293
Total for On Balance Sheet Exposures	74,509,749	73,676,852	33,585,977	33,585,977	2,686,877
Off Balance Sheet Exposures					
OTC Derivatives	3,703,910	3,703,910	2,193,053	2,193,053	175,444
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	388,377	388,377	345,923	345,923	27,674
Defaulted Exposures	4,963	4,963	7,443	7,443	595
Total for Off Balance Sheet Exposures	4,097,250	4,097,250	2,546,419	2,546,419	203,713
Total for On and Off Balance Sheet Exposures	78,606,999	77,774,102	36,132,396	36,132,396	2,890,590
2 Market Risk					
	Long Position	Short Position			
Interest Rate Risk	49,612,808	40,008,278	9,604,530	1,416,196	130,267
Foreign Currency Risk	689,140	584,254	689,140	689,013	55,121
Option Risk	-	-	-	3,175	254
Total Market Risk				2,108,384	185,642
3 Operational Risk					
Operational Risk				3,943,401	315,472
Total RWA and Capital Requirement				42,184,181	3,391,704

PSIA : Profit sharing investment account

OTC : Over the counter

MDB : Multilateral development bank

DFI : Development financial institution

21 **Capital adequacy** (continued)

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

The Group
30 June 2010

Exposure Class	Gross Exposures	Net Exposures	Risk-Weighted Assets	Total Risk-Weighted Assets after Effects of PSIA	Capital Requirements
1 Credit Risk					
On Balance Sheet Exposures					
Sovereigns/Central Banks	21,654,134	21,654,134	-	-	-
Public Sector Entities	38,067	38,067	7,613	7,613	609
Banks, DFI & MDBs	11,827,207	11,827,208	3,881,967	3,881,967	310,557
Insurance Companies, Securities Firms & Fund Managers	141,889	141,889	141,889	141,889	11,351
Corporates	10,322,814	9,913,837	9,548,420	9,548,420	763,874
Regulatory Retail	15,718,446	15,375,450	11,531,588	11,531,588	922,527
Residential Mortgages	11,901,720	11,901,235	4,546,961	4,546,961	363,757
Higher Risk Assets	47,379	47,379	71,071	71,071	5,686
Other Assets	1,698,839	1,698,839	750,169	750,169	60,014
Defaulted Exposures	674,975	674,597	880,199	880,199	70,416
Total for On Balance Sheet Exposures	74,025,470	73,272,635	31,359,877	31,359,877	2,508,791
Off Balance Sheet Exposures					
OTC Derivatives	2,922,770	2,922,770	1,665,302	1,665,302	133,224
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	406,434	406,434	379,477	379,477	30,358
Defaulted Exposures	4,099	4,099	6,148	6,148	492
Total for Off Balance Sheet Exposures	3,333,303	3,333,303	2,050,927	2,050,927	164,074
Total for On and Off Balance Sheet Exposures	77,358,773	76,605,938	33,410,804	33,410,804	2,672,865
2 Market Risk					
	Long Position	Short Position			
Interest Rate Risk	41,961,110	35,247,397	6,713,713	1,363,329	109,066
Foreign Currency Risk	1,559,603	1,146,741	1,559,603	1,559,476	124,758
Option Risk	-	-	-	36,513	2,921
Total Market Risk				2,959,318	236,745
3 Operational Risk					
Operational Risk				3,912,306	312,984
Total RWA and Capital Requirement				40,282,428	3,222,594

PSIA : Profit sharing investment account

OTC : Over the counter

MDB : Multilateral development bank

DFI : Development financial institution

21 Capital adequacy (continued)

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

The Bank
30 September 2010

Exposure Class	Gross Exposures	Net Exposures	Weighted Assets	Total Risk-Weighted after Effects of PSIA	Capital Requirements	
1 Credit Risk						
On Balance Sheet Exposures						
Sovereigns/Central Banks	16,458,709	16,458,709	-	-	-	
Public Sector Entities	38,306	38,306	7,661	7,661	613	
Banks, DFI & MDBs	11,939,670	11,939,670	3,970,438	3,970,438	317,635	
Insurance Companies, Securities Firms & Fund Managers	130,857	130,857	130,857	130,857	10,469	
Corporates	10,571,154	10,090,986	9,685,182	9,685,182	774,815	
Regulatory Retail	13,989,040	13,640,438	10,230,328	10,230,328	818,426	
Residential Mortgages	10,730,135	10,729,757	4,098,583	4,098,583	327,887	
Higher Risk Assets	159,144	159,144	238,718	238,718	19,097	
Other Assets	3,177,015	3,177,015	2,232,057	2,232,057	178,565	
Defaulted Exposures	545,628	545,302	690,238	690,238	55,219	
Total for On Balance Sheet Exposures	67,739,658	66,910,184	31,284,062	31,284,062	2,502,726	
Off Balance Sheet Exposures						
OTC Derivatives	3,783,610	3,783,610	2,272,754	2,272,754	181,820	
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	385,605	385,605	343,151	343,151	27,452	
Defaulted Exposures	4,963	4,963	7,443	7,443	595	
Total for Off Balance Sheet Exposures	4,174,178	4,174,178	2,623,348	2,623,348	209,867	
Total for On and Off Balance Sheet Exposures	71,913,836	71,084,362	33,907,410	33,907,410	2,712,593	
2 Market Risk						
	Long Position	Short Position				
Interest Rate Risk	49,006,760	41,559,216	7,447,544	1,403,552	1,403,552	112,284
Foreign Currency Risk	680,373	583,966	680,373	680,373	680,373	54,430
Option Risk	-	-	-	3,175	3,175	254
Total Market Risk				2,087,100	2,087,100	166,968
3 Operational Risk						
Operational Risk				3,593,584	3,593,584	287,487
Total RWA And Capital Requirement				39,588,094	39,588,094	3,167,048

PSIA : Profit sharing investment account

OTC : Over the counter

MDB : Multilateral development bank

DFI : Development financial institution

21 Capital adequacy (continued)

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

The Bank
30 June 2010

Exposure Class	Gross Exposures	Net Exposures	Risk-Weighted Assets	Total Risk-Weighted Assets after Effects of PSIA	Capital Requirements
1 Credit Risk					
On Balance Sheet Exposures					
Sovereigns/Central Banks	19,602,556	19,602,556	-	-	-
Public Sector Entities	38,067	38,067	7,613	7,613	609
Banks, DFI & MDBs	11,465,743	11,465,744	3,797,269	3,797,269	303,782
Insurance Companies, Securities Firms & Fund Managers	136,815	136,815	136,815	136,815	10,945
Corporates	9,685,888	9,277,771	8,932,794	8,932,794	714,624
Regulatory Retail	13,210,978	12,870,523	9,652,894	9,652,894	772,232
Residential Mortgages	10,908,047	10,907,594	4,161,320	4,161,320	332,906
Higher Risk Assets	46,184	46,184	69,278	69,278	5,542
Other Assets	2,653,065	2,653,065	1,704,011	1,704,011	136,321
Defaulted Exposures	578,031	577,723	741,447	741,447	59,316
Total for On Balance Sheet Exposures	68,325,374	67,576,042	29,203,441	29,203,441	2,336,277
Off Balance Sheet Exposures					
OTC Derivatives	3,584,542	3,584,542	2,327,074	2,327,074	186,166
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	405,519	405,519	378,562	378,562	30,285
Defaulted Exposures	4,099	4,099	6,148	6,148	492
Total for Off Balance Sheet Exposures	3,994,160	3,994,160	2,711,784	2,711,784	216,943
Total for On and Off Balance Sheet Exposures	72,319,534	71,570,202	31,915,225	31,915,225	2,553,220
2 Market Risk					
	Long Position	Short Position			
Interest Rate Risk	41,378,519	36,798,335	4,580,184	1,132,207	1,132,207
Foreign Currency Risk	1,551,935	1,145,949	1,551,935	1,551,935	124,155
Option Risk	-	-	-	36,513	36,513
Total Market Risk				2,720,655	2,720,655
3 Operational Risk					
Operational Risk				3,566,649	285,332
Total RWA And Capital Requirement				38,202,529	3,056,205

PSIA : Profit sharing investment account

OTC : Over the counter

MDB : Multilateral development bank

DFI : Development financial institution

21 Capital adequacy (continued)

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

The Group 30 September 2010		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 & DFIs	Insurance Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitisation Exposures	Equity Exposures		
0%	19,097,456	-	-	-	-	-	-	-	913,713	-	-	-	20,011,169	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	-	38,306	7,746,805	-	533,770	-	-	-	122,407	-	-	-	8,441,288	1,688,258
35%	-	-	-	-	-	-	9,173,517	-	-	-	-	-	9,173,517	3,210,731
50%	-	-	7,508,922	-	134,800	22,118	2,585,847	-	-	-	-	-	10,251,687	5,125,844
75%	-	-	-	-	-	16,397,462	-	-	-	-	-	-	16,397,462	12,298,097
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	15,406	137,376	11,375,300	25,457	72,736	-	1,251,729	-	-	-	12,878,004	12,878,004
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	323,115	137,814	-	160,046	-	-	-	-	620,975	931,462
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
938%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	19,097,456	38,306	15,271,133	137,376	12,366,985	16,582,851	11,832,100	160,046	2,287,849	-	-	-	77,774,102	36,132,396

PSE : Public Sector Entity

21 Capital adequacy (continued)

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

The Group 30 June 2010		Exposures after Netting and Credit Risk Mitigation											Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
		Sovereigns & Central Banks	PSEs	Banks, MDBs & DFIs	Insurance Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitisation Exposures		
0%	21,670,392	-	-	-	1,559	-	-	-	823,502	-	-	-	22,495,453	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	-	38,067	7,015,407	-	408,984	-	-	-	156,458	-	-	-	7,618,916	1,523,783
35%	-	-	-	-	-	-	9,357,713	-	-	-	-	-	9,357,713	3,275,200
50%	-	-	7,145,143	-	96,544	23,688	2,559,489	-	-	-	-	-	9,824,864	4,912,432
75%	-	-	-	-	-	15,483,039	-	-	-	-	-	-	15,483,039	11,612,279
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	391	141,890	10,336,357	30,202	75,921	-	718,878	-	-	-	11,303,639	11,303,639
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	344,151	130,538	-	47,623	-	-	-	-	522,314	783,471
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
938%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	21,670,392	38,067	14,160,941	141,890	11,187,595	15,667,467	11,993,123	47,623	1,698,838	-	-	-	76,605,938	33,410,804

PSE : Public Sector Entity

21 Capital adequacy (continued)

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

The Bank		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 & DFIs	Insurance Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitisation Exposures	Equity Exposures		
0%	16,458,709	-	-	-	-	-	-	-	913,810	-	-	-	17,372,519	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	-	38,306	7,008,404	-	447,511	-	-	-	122,406	-	-	-	7,616,627	1,523,325
35%	-	-	-	-	-	-	8,426,325	-	-	-	-	-	8,426,325	2,949,214
50%	-	-	7,642,226	-	134,800	22,021	2,310,958	-	-	-	-	-	10,110,005	5,055,003
75%	-	-	-	-	-	13,752,133	-	-	-	-	-	-	13,752,133	10,314,099
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	15,406	130,857	10,845,436	23,486	65,768	-	2,207,768	-	-	-	13,288,721	13,288,721
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	268,139	90,572	-	159,321	-	-	-	-	518,032	777,048
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
938%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	16,458,709	38,306	14,666,036	130,857	11,695,886	13,888,212	10,803,051	159,321	3,243,984	-	-	-	71,084,362	33,907,410

PSE : Public Sector Entity

21 Capital adequacy (continued)

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

The Bank 30 June 2010		Exposures after Netting and Credit Risk Mitigation											Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
		Sovereigns & Central Banks	PSEs	Banks, MDBs & DFIs	Insurance Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitisation Exposures		
0%	19,618,813	-	-	-	1,559	-	-	-	823,886	-	-	-	20,444,258	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	-	38,067	6,695,291	-	383,434	-	-	-	156,459	-	-	-	7,273,251	1,454,650
35%	-	-	-	-	-	-	8,616,530	-	-	-	-	-	8,616,530	3,015,786
50%	-	-	7,103,795	-	96,544	23,533	2,305,054	-	-	-	-	-	9,528,926	4,764,463
75%	-	-	-	-	-	12,978,112	-	-	-	-	-	-	12,978,112	9,733,584
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	391	136,815	10,386,697	28,507	68,762	-	1,672,720	-	-	-	12,293,892	12,293,892
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	306,556	82,287	-	46,390	-	-	-	-	435,233	652,850
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
938%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	19,618,813	38,067	13,799,477	136,815	11,174,790	13,112,439	10,990,346	46,390	2,653,065	-	-	-	71,570,202	31,915,225

PSE : Public Sector Entity

21 Capital adequacy (continued)

e) Disclosure on Off Balance Sheet and Counterparty Credit Risk

The Group 30 September 2010	Total Principal Amount RM'000	Total Credit Equivalent Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Total Risk - Weighted Amount RM'000
Nature of item:				
Direct credit substitutes	163,331	163,331	-	153,653
Certain transaction related contingent items	263,512	131,756	-	119,091
Short-term self liquidating trade-related contingencies	491,265	98,253	-	95,149
Underwriting Obligations	8,868	-	-	-
Foreign exchange related contracts				
- one years or less	36,084,352	782,517	389,802	340,377
- over one year to five years	6,059,027	519,973	250,873	357,093
- over five years	255,720	64,335	20,863	32,168
Interest/ Profit rate related contracts				
- one years or less	9,603,123	36,208	23,707	14,092
- over one year to five years	23,694,852	747,532	193,274	367,820
- over five years	8,783,438	960,683	205,376	480,341
Commitments that are unconditionally cancellable by the bank at any time without prior notice	22,441,627	-	-	-
Equity related contracts				
- one years or less	128,452	7,932	223	3,452
- over one year to five years	33,185	2,655	-	1,113
Total	108,010,752	3,515,175	1,084,118	1,964,349

The Group 30 June 2010	Total Principal Amount RM'000	Total Credit Equivalent Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Total Risk - Weighted Amount RM'000
Nature of item:				
Direct credit substitutes	175,141	175,141	-	164,269
Certain transaction related contingent items	257,429	128,715	-	117,040
Short-term self liquidating trade-related contingencies	533,384	106,677	-	104,316
Foreign exchange related contracts				
- one years or less	32,233,967	676,076	295,343	304,562
- over one year to five years	6,113,446	768,813	356,475	620,242
- over five years	268,230	60,762	15,163	30,381
Interest/ Profit rate related contracts				
- one years or less	10,171,714	48,784	35,183	24,393
- over one year to five years	21,886,133	689,933	203,616	349,214
- over five years	6,183,750	666,243	126,818	333,122
Commitments that are unconditionally cancellable by the bank at any time without prior notice	21,147,806	-	-	-
Equity related contracts				
- one years or less	155,350	9,527	204	2,861
- over one year to five years	32,900	2,632	-	527
Total	99,159,250	3,333,303	1,032,802	2,050,927

21 Capital adequacy (continued)

Disclosure on Off Balance Sheet and Counterparty Credit Risk

The Bank 30 September 2010	Total Principal Amount RM'000	Total Credit Equivalent Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Total Risk - Weighted Amount RM'000
Nature of item:				
Direct credit substitutes	163,331	163,331	-	153,653
Certain transaction related contingent items	258,985	129,493	-	116,828
Short-term self liquidating trade-related contingencies	488,722	97,744	-	94,640
Underwriting Obligations	8,868	-	-	-
Foreign exchange related contracts				
- one years or less	36,084,352	782,517	389,802	340,376
- over one year to five years	9,198,682	1,181,746	429,072	1,018,865
- over five years	255,720	64,335	20,863	32,168
Interest/ Profit rate related contracts				
- one years or less	9,603,123	36,208	23,707	14,092
- over one year to five years	23,694,852	747,533	193,274	367,820
- over five years	8,783,438	960,683	205,376	480,341
Commitments that are unconditionally cancellable by the bank at any time without prior notice	20,585,345	-	-	-
Equity related contracts				
- one years or less	128,452	7,932	223	3,452
- over one year to five years	33,185	2,655	-	1,113
Total	109,287,055	4,174,177	1,262,317	2,623,348

The Bank 30 June 2010	Total Principal Amount RM'000	Total Credit Equivalent Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Total Risk - Weighted Amount RM'000
Nature of item:				
Direct credit substitutes	175,141	175,141	-	164,269
Certain transaction related contingent items	256,300	128,151	-	116,476
Short-term self liquidating trade-related contingencies	531,631	106,326	-	103,965
Foreign exchange related contracts				
- one years or less	32,233,967	676,073	295,343	304,561
- over one year to five years	9,215,323	1,430,587	677,041	1,282,015
- over five years	268,230	60,762	15,163	30,381
Interest/ Profit rate related contracts				
- one years or less	10,171,714	48,784	35,183	24,393
- over one year to five years	21,886,133	689,934	203,616	349,214
- over five years	6,183,750	666,243	126,818	333,122
Commitments that are unconditionally cancellable by the bank at any time without prior notice	19,682,271	-	-	-
Equity related contracts				
- one years or less	155,350	9,527	204	2,861
- over one year to five years	32,900	2,632	-	527
Total	100,792,710	3,994,160	1,353,368	2,711,784

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

	Financial quarter ended 30/09/2010				
	Personal Financial Services RM'000	Business Banking Division RM'000	Treasury RM'000	Overseas Associate and Jointly Controlled Entity RM'000	Total RM'000
<u>By business segment</u>					
External revenue	325,662	13,454	200,671	-	539,787
Inter-segment revenue	52,198	68,605	(120,803)	-	-
Segment revenue	<u>377,860</u>	<u>82,059</u>	<u>79,868</u>	<u>-</u>	<u>539,787</u>
Segment profit before taxation	186,186	41,022	53,583	-	280,791
Share of profit after tax of equity accounted associated company				36,851	36,851
Share of profit after tax of equity accounted jointly controlled entity				(261)	(261)
Profit before taxation					<u>317,381</u>
Taxation and zakat					<u>(60,181)</u>
Profit after taxation					<u><u>257,200</u></u>

	Financial period ended 30/09/2010				
	Personal Financial Services RM'000	Business Banking Division RM'000	Treasury RM'000	Overseas Associate and Jointly Controlled Entity RM'000	Total RM'000
<u>By business segment</u>					
External revenue	325,662	13,454	200,671	-	539,787
Inter-segment revenue	52,198	68,605	(120,803)	-	-
Segment revenue	<u>377,860</u>	<u>82,059</u>	<u>79,868</u>	<u>-</u>	<u>539,787</u>
Segment profit before taxation	186,186	41,022	53,583	-	280,791
Share of profit after tax of equity accounted associated company				36,851	36,851
Share of profit after tax of equity accounted jointly controlled entity				(261)	(261)
Profit before taxation					<u>317,381</u>
Taxation and zakat					<u>(60,181)</u>
Profit after taxation					<u><u>257,200</u></u>
Segment assets	30,602,421	8,942,857	46,856,890	-	86,402,168
Unallocated assets					2,448,995
Total assets					<u><u>88,851,163</u></u>

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

	Corresponding quarter ended 30/09/2009				
	Personal Financial Services RM'000	Business Banking Division RM'000	Treasury RM'000	Takaful Business RM'000	Total RM'000
<u>By business segment</u>					
External revenue	305,763	16,029	188,127	1,758	511,677
Inter-segment revenue	43,969	41,405	(85,374)	-	-
Segment revenue	<u>349,732</u>	<u>57,434</u>	<u>102,753</u>	<u>1,758</u>	<u>511,677</u>
Segment profit before taxation	154,205	22,242	82,047	(192)	258,302
Share of profit after tax of equity accounted associated company					30,525
Profit before taxation					<u>288,827</u>
Taxation and zakat					(54,661)
Profit after taxation					<u><u>234,166</u></u>

	Financial period ended 30/09/2009				
	Personal Financial Services RM'000	Business Banking Division RM'000	Treasury RM'000	Takaful Business RM'000	Total RM'000
<u>By business segment</u>					
External revenue	305,763	16,029	188,127	1,758	511,677
Inter-segment revenue	43,969	41,405	(85,374)	-	-
Segment revenue	<u>349,732</u>	<u>57,434</u>	<u>102,753</u>	<u>1,758</u>	<u>511,677</u>
Segment profit before taxation	154,205	22,242	82,047	(192)	258,302
Share of profit after tax of equity accounted associated company					30,525
Profit before taxation					<u>288,827</u>
Taxation and zakat					(54,661)
Profit after taxation					<u><u>234,166</u></u>
Segment assets	27,968,234	7,410,215	39,161,984	-	74,540,433
Unallocated assets					2,477,027
Total assets					<u><u>77,017,460</u></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 materials events subsequent to the end of the financial period ended 30 September 2010.

24(b) Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial period ended 30 September 2010 except for the following :-

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

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

Prominic is currently dormant and its intended business activity is to issue Subordinated Notes under a Stapled Securities structure and to on-lend the proceeds from the issuance to HLB, the issuer of the

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

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 30/09/2010			Financial Year Ended 30/06/2010		
	Principal Amount RM'000	Credit Equivalent RM'000	Risk - Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent RM'000	Risk - Weighted Amount RM'000
The Group						
Direct credit substitutes	163,331	163,331	153,653	175,141	175,141	164,269
Certain transaction related contingent items	263,512	131,756	119,091	257,429	128,715	117,040
Short-term self liquidating trade-related contingencies	491,265	98,253	95,149	533,384	106,677	104,316
Underwriting Obligations	8,868	-	-	-	-	-
Commitments that are unconditionally cancellable by the bank at any time without prior notice	22,441,627	-	-	21,147,806	-	-
Foreign exchange related contracts	42,399,099	1,366,825	729,638	38,615,643	1,505,651	955,185
Interest rate related contracts	42,081,413	1,744,423	862,253	38,241,597	1,404,960	706,729
Equity related contracts	161,637	10,587	4,565	188,250	12,159	3,388
Total	108,010,752	3,515,175	1,964,349	99,159,250	3,333,303	2,050,927

25 Commitments and contingencies (continued)

	Financial Year Ended 30/09/2010			Financial Year Ended 30/06/2010		
	Principal Amount RM'000	Credit Equivalent RM'000	Risk - Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent RM'000	Risk - Weighted Amount RM'000
The Bank						
Direct credit substitutes	163,331	163,331	153,653	175,141	175,141	164,269
Certain transaction related contingent items	258,985	129,493	116,828	256,300	128,151	116,476
Short-term self liquidating trade-related contingencies	488,722	97,744	94,640	531,631	106,326	103,965
Underwriting obligations	8,868	-	-	-	-	-
Commitments that are unconditionally cancellable by the bank at any time without prior notice	20,585,345	-	-	19,682,271	-	-
Foreign exchange related contracts	45,538,754	2,028,598	1,391,409	41,717,520	2,167,422	1,616,957
Interest rate related contracts	42,081,413	1,744,424	862,253	38,241,597	1,404,961	706,729
Equity related contracts	161,637	10,587	4,565	188,250	12,159	3,388
Total	<u>109,287,055</u>	<u>4,174,177</u>	<u>2,623,348</u>	<u>100,792,710</u>	<u>3,994,160</u>	<u>2,711,784</u>

26 Related party transactions

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

27 a) Interest/Profit rate risk

Group As at 30 September 2010	← Non-trading book →							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	Trading book RM'000		
Assets									
Cash and short term funds	592,328	-	-	-	-	13,320,590	-	13,912,918	2.3
Deposits & placement with banks & other financial institution	-	4,911,926	1,716,218	25,991	-	-	-	6,654,135	2.3
Securities purchased under resale agreement	-	-	-	-	-	189,124	-	189,124	
Securities held at fair value through profit and loss	-	-	-	-	-	-	11,896,996	11,896,996	3.6
Securities available-for-sale	1,198,822	352,086	166,707	3,658,796	193,174	231,699	-	5,801,284	4.0
Securities held-to-maturity	1,121,039	1,011,825	1,223,788	4,007,319	-	1,255	-	7,365,226	3.4
Loans, advances and financing									
- performing	33,092,664	25,424	334,165	3,202,564	2,285,181	(616,973)	-	38,323,025	4.3
- impaired loans	-	-	-	-	-	886,138	-	886,138	
Other assets	-	-	-	-	-	1,624,279	-	1,624,279	
Statutory deposits with BNM	-	-	-	-	-	388,850	-	388,850	
Investment in associated companies	-	-	-	-	-	1,209,026	-	1,209,026	
Investment in jointly controlled company	-	-	-	-	-	75,762	-	75,762	
Prepaid land lease payments	-	-	-	-	-	14,054	-	14,054	
Property, plant and equipment	-	-	-	-	-	342,718	-	342,718	
Intangible assets	-	-	-	-	-	50,396	-	50,396	
Deferred tax assets	-	-	-	-	-	117,232	-	117,232	
Total assets	36,004,853	6,301,261	3,440,878	10,894,670	2,478,355	17,834,150	11,896,996	88,851,163	
Liabilities									
Deposits from customers	35,654,983	11,407,775	13,131,723	2,177,055	-	8,268,682	-	70,640,218	2.0
Deposits & placement of banks & other financial institutions	3,894,142	1,990,788	387,345	-	-	2,814	-	6,275,089	1.7
Bills and acceptance payable	6,830	42,427	19,352	-	-	758,976	-	827,585	2.7
Other liabilities	-	-	-	-	-	3,522,042	-	3,522,042	-
Subordinated Bonds	-	-	-	696,100	-	-	-	696,100	4.9
Provision for taxation	-	-	-	-	-	99,973	-	99,973	
Total liabilities	39,555,955	13,440,990	13,538,420	2,873,155	-	12,652,487	-	82,061,007	
Shareholders funds	-	-	-	-	-	6,790,156	-	6,790,156	
Total liabilities and Shareholders' funds	39,555,955	13,440,990	13,538,420	2,873,155	-	19,442,643	-	88,851,163	
On-balance sheet profit sensitivity gap	(3,551,102)	(7,139,729)	(10,097,542)	8,021,515	2,478,355				

27 b) Interest/Profit rate risk

<u>Group</u> <u>As at 30 June 2010</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			
Assets									
Cash and short term funds	14,946,188	-	-	-	-	735,898	-	15,682,086	2.3
Deposits & placement with banks & other financial institution	-	5,756,887	1,687,847	25,825	-	-	-	7,470,559	2.3
Securities held at fair value through profit and loss	-	-	-	-	-	-	8,836,753	8,836,753	3.6
Securities available-for-sale	139,216	406,263	146,292	3,192,522	452,827	91,650	-	4,428,770	4.0
Securities held-to-maturity	584,875	735,699	484,542	4,807,539	-	28,348	-	6,641,003	3.4
Loans, advances and financing									
- performing	32,125,258	25,085	324,176	3,171,795	2,229,346	(571,054)	-	37,304,606	5.9
- non-performing	-	-	-	-	-	444,464	-	444,464	
Other assets	-	-	-	-	-	1,718,603	-	1,718,603	
Statutory deposits with BNM	-	-	-	-	-	394,000	-	394,000	
Investment in associated companies	-	-	-	-	-	1,172,175	-	1,172,175	
Investment in jointly controlled company	-	-	-	-	-	76,023	-	76,023	
Prepaid and lease payments	-	-	-	-	-	14,139	-	14,139	
Property, plant and equipment	-	-	-	-	-	332,845	-	332,845	
Intangible assets	-	-	-	-	-	49,410	-	49,410	
Deferred tax assets	-	-	-	-	-	140,137	-	140,137	
General and Family Takaful fund assets	-	-	-	-	-	-	-	-	
Total assets	47,795,537	6,923,934	2,642,857	11,197,681	2,682,173	4,626,638	8,836,753	84,705,573	
Liabilities									
Deposits from customers	35,585,108	8,716,843	15,951,132	1,659,228	-	7,800,381	-	69,712,692	2.0
Deposits & placement of banks & other financial institutions	2,117,003	1,683,295	69,352	-	-	6,753	-	3,876,403	1.7
Bills and acceptance payable	2,510	15,592	7,112	-	-	278,926	-	304,140	2.7
Other liabilities	-	-	-	-	-	3,664,921	-	3,664,921	-
Subordinated obligations	-	-	-	650,454	-	-	-	650,454	5.3
Provision for taxation	-	-	-	-	-	72,940	-	72,940	
Total liabilities	37,704,621	10,415,730	16,027,596	2,309,682	-	11,823,921	-	78,281,550	
Shareholders funds	-	-	-	-	-	6,424,023	-	6,424,023	
Total liabilities and Shareholders' funds	37,704,621	10,415,730	16,027,596	2,309,682	-	18,247,944	-	84,705,573	
On-balance sheet profit sensitivity gap	10,090,916	(3,491,796)	(13,384,739)	8,887,999	2,682,173				

27 c) Interest/Profit rate risk

Bank As at 30 September 2010	← 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			
Assets									
Cash and short term funds	527,526	-	-	-	-	11,857,761	-	12,385,287	2.6
Deposits & placement with banks & other financial instrument	-	4,366,034	1,451,308	-	-	-	-	5,817,342	2.6
Securities purchased under resale agreement	-	-	-	-	-	189,124	-	189,124	
Securities held at fair value through profit and loss	-	-	-	-	-	-	9,740,010	9,740,010	3.7
Securities available-for-sale	1,198,822	352,086	116,092	2,427,479	193,174	231,627	-	4,519,280	4.0
Securities held-to-maturity	659,978	1,011,825	1,219,059	4,670,666	-	1,255	-	7,562,783	3.3
Loans, advances and financing									
- performing	31,269,595	12,839	271,540	1,923,871	1,087,334	(543,197)	-	34,021,982	4.3
- impaired loans	-	-	-	-	-	845,399	-	845,399	
Other assets	-	-	-	-	-	1,721,125	-	1,721,125	
Amount due from subsidiaries	-	-	-	-	-	701,219	-	701,219	
Statutory deposits with BNM	-	-	-	-	-	343,000	-	343,000	
Investment in subsidiary	-	-	-	-	-	875,554	-	875,554	
Investment in associated companies	-	-	-	-	-	946,505	-	946,505	
Investment in jointly controlled company	-	-	-	-	-	76,711	-	76,711	
Prepaid land lease payments	-	-	-	-	-	13,191	-	13,191	
Property, plant and equipment	-	-	-	-	-	319,755	-	319,755	
Intangible assets	-	-	-	-	-	48,283	-	48,283	
Deferred tax assets	-	-	-	-	-	98,138	-	98,138	
Total assets	33,655,921	5,742,784	3,057,999	9,022,016	1,280,508	17,725,450	9,740,010	80,224,688	
Liabilities									
Deposits from customers	31,958,734	9,417,436	12,242,803	1,637,261	-	7,793,044	-	63,049,278	1.9
Deposits & placement of banks & other financial institutions	3,908,040	1,630,554	387,145	-	-	2,814	-	5,928,553	1.2
Bills and acceptance payable	7,265	44,490	20,057	-	-	733,312	-	805,125	2.7
Other liabilities	-	-	-	-	-	3,528,884	-	3,528,884	
Subordinated Bonds	-	-	-	696,100	-	-	-	696,100	4.9
Provision for taxation	-	-	-	-	-	89,266	-	89,266	
Total liabilities	35,874,039	11,092,480	12,650,005	2,333,361	-	12,147,320	-	74,097,206	
Shareholders funds						6,127,482		6,127,482	
Total liabilities and Shareholders' funds	35,874,039	11,092,480	12,650,005	2,333,361	-	18,274,802	-	80,224,688	
On-balance sheet profit sensitivity gap	(2,218,118)	(5,349,696)	(9,592,006)	6,688,655	1,280,508				

27 d) Interest/Profit rate risk

Bank As at 30 June 2010	← 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			
Assets									
Cash and short term funds	13,421,408	-	-	-	-	506,839	-	13,928,247	2.6
Deposits & placement with banks & other financial instrument	-	5,498,202	1,506,462	-	-	-	-	7,004,664	2.6
Securities held at fair value through profit and loss	-	-	-	-	-	-	6,703,224	6,703,224	3.7
Securities available-for-sale	139,216	406,263	136,140	2,891,160	194,938	91,650	-	3,859,367	4.0
Securities held-to-maturity	584,875	735,699	421,100	5,273,163	-	27,773	-	7,042,610	3.3
Loans, advances and financing									
- performing	30,446,436	19,168	246,434	1,877,643	1,073,412	(505,051)	-	33,158,042	5.9
- non-performing	-	-	-	-	-	431,051	-	431,051	
Other assets	-	-	-	-	-	2,014,821	-	2,014,821	
Amount due from subsidiaries	-	-	-	-	-	1,009,958	-	1,009,958	
Statutory deposits with BNM	-	-	-	-	-	347,000	-	347,000	
Investment in subsidiary	-	-	-	-	-	714,092	-	714,092	
Investment in associated companies	-	-	-	-	-	946,505	-	946,505	
Investment in jointly controlled company	-	-	-	-	-	76,711	-	76,711	
Prepaid land lease payments	-	-	-	-	-	13,274	-	13,274	
Property, plant and equipment	-	-	-	-	-	311,163	-	311,163	
Intangible assets	-	-	-	-	-	46,935	-	46,935	
Deferred tax assets	-	-	-	-	-	122,544	-	122,544	
Total assets	44,591,935	6,659,332	2,310,136	10,041,966	1,268,350	6,155,265	6,703,224	77,730,208	
Liabilities									
Deposits from customers	32,447,633	7,302,652	15,048,637	1,075,451	-	7,364,677	-	63,239,050	1.9
Deposits & placement of banks & other financial institutions	2,031,972	1,683,087	69,317	-	-	6,753	-	3,791,129	1.2
Bills and acceptance payable	2,575	15,769	7,109	-	-	259,913	-	285,366	2.7
Other liabilities	-	-	-	-	-	3,890,295	-	3,890,295	
Subordinated obligations	-	-	-	650,454	-	-	-	650,454	5.3
Provision for taxation	-	-	-	-	-	58,851	-	58,851	
Total liabilities	34,482,180	9,001,508	15,125,063	1,725,905	-	11,580,489	-	71,915,145	
Shareholders funds	-	-	-	-	-	5,815,063	-	5,815,063	
Total liabilities and Shareholders' funds	34,482,180	9,001,508	15,125,063	1,725,905	-	17,395,552	-	77,730,208	
On-balance sheet profit sensitivity gap	10,109,755	(2,342,176)	(12,814,927)	8,316,061	1,268,350				

28 Operations of Islamic Banking

28a Unaudited Statement of Financial Position as at 30 September 2010

	<u>The Group</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
ASSETS		
Cash and short-term funds	1,910,698	2,096,269
Deposits and placements with bank and other financial institutions	844,073	469,178
Financial assets Securities - Held-for-trading	2,156,986	2,133,529
Securities - Available-for-trading	1,282,004	569,403
Securities - Held-to-maturity	461,061	461,739
Financing, advances and other financing	4,312,528	4,138,867
Other assets	14,886	26,791
Statutory deposits with Bank Negara Malaysia	45,850	47,000
Property, plant and equipment	2,914	1,977
Deferred tax assets	19,094	17,593
Total Assets	<u>11,050,094</u>	<u>9,962,346</u>
<u>LIABILITIES AND SHAREHOLDERS' FUNDS</u>		
Deposits from customers	8,865,058	7,731,615
Deposits and placements of banks and other financial institutions	1,081,116	865,979
Obligations on securities sold under purchase agreements	-	-
Bills and acceptance payable	22,460	18,774
Other liabilities	227,396	521,766
Provision for taxation	8,962	5,402
Total Liabilities	<u>10,204,992</u>	<u>9,143,536</u>
Islamic banking capital fund	500,000	500,000
Reserves	345,102	318,810
Islamic Banking Funds	<u>845,102</u>	<u>818,810</u>
Total Liabilities and Islamic Banking Funds	<u>11,050,094</u>	<u>9,962,346</u>
COMMITMENTS AND CONTINGENCIES	<u>1,863,351</u>	<u>1,468,416</u>

28 Operations of Islamic Banking (continued)

28b Unaudited Statement of Comprehensive Income for the 1st Quarter and Cumulative Three Months Ended 30 Septeml

<u>Group</u>	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2010 RM'000	30/09/2009 RM'000	30/09/2010 RM'000	30/09/2009 RM'000
Income derive from investment of deposits' funds and others	86,600	73,183	86,600	73,183
Income derive from investment of shareholders' funds	9,344	9,390	9,344	9,390
Allowance for losses on financing	(7,872)	(2,144)	(7,872)	(2,144)
Profit equalisation reserve	(1,014)	3,102	(1,014)	3,102
Total distributable income	87,058	83,531	87,058	83,531
Income attributable to deposits	(48,084)	(37,595)	(48,084)	(37,595)
Total net income	38,974	45,936	38,974	45,936
Other operating expenses	(17,304)	(16,796)	(17,304)	(16,796)
Profit before taxation and zakat	21,670	29,140	21,670	29,140
Zakat	(14)	(13)	(14)	(13)
Taxation	(5,419)	(7,282)	(5,419)	(7,282)
Profit after taxation and zakat	16,237	21,845	16,237	21,845
Profit attributable to shareholders	16,237	21,845	16,237	21,845
Earning per share - basic (sen)	3.25	4.37	3.25	4.37
Earning per share - fully diluted (sen)	3.25	4.37	3.25	4.37

28 Operations of Islamic Banking (continued)

28c Unaudited Statement of Comprehensive Income for the 1st Quarter and Cumulative Three Months Ended 30 June 2010

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2010 RM'000	30/09/2009 RM'000	30/09/2010 RM'000	30/09/2009 RM'000
Profit after taxation and zakat	16,237	21,845	16,237	21,845
Other comprehensive income/(loss):				
Net fair value changes on available for sale securities	2,191	1,180	3,195	1,180
Income tax relating to components of other comprehensive income	(548)	(295)	(799)	(295)
Other comprehensive gain/(loss) for the financial period	1,643	885	2,396	885
Total comprehensive income for the financial period, net of tax	17,880	22,730	18,633	22,730

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

28d Financing, advances and other financing

(i) **By type**

	<u>The Group</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
Cash line	1,729	3,613
Term financing		
- Housing financing	5,046,841	4,334,789
- Hire purchase receivable	2,524,398	2,466,921
- Lease receivable	10,671	11,806
- Other term financing	567,500	560,441
Bills receivable	140	-
Claims on customers under acceptance credit	67,214	103,135
Staff financing	15	3
Revolving credit	-	-
Others	428	467
	<u>8,218,936</u>	<u>7,481,175</u>
Less: Unearned income	(3,811,370)	(3,253,426)
	<u>4,407,566</u>	<u>4,227,749</u>
Less: Allowance for bad and doubtful financing		
- Collective assessment	(94,071)	-
- Individual assessment	(967)	-
- General	-	(66,175)
- Specific	-	(22,707)
	<u>-</u>	<u>(89,883)</u>
Total net financing, advances and other financing	<u>4,312,528</u>	<u>4,138,867</u>

(ii) **By contract**

	<u>The Group</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
Bai' Bithaman Ajil (deferred payment sale)	2,125,673	1,941,026
Ijarah (lease)	10,599	11,687
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,203,940	2,171,901
Murabahah (cost-plus)	67,354	103,135
	<u>4,407,566</u>	<u>4,227,749</u>

28 Operations of Islamic Banking (continued)

28d Financing, advances and other financing (continued)

Non-performing financing

(i) **Movements in impaired loans, advances and financing are as follows:**

	<u>The Group</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
At 1 July		
- as previously stated	36,324	46,260
- effect of adopting FRS 139	6,432	-
At 1 July, as restated	<u>42,756</u>	<u>46,260</u>
Classified as non-performing during the period	14,397	235,161
Reclassified as performing	(9,526)	(211,205)
Amount recovered	(6,268)	(24,167)
Amount written off	-	(9,725)
At end	<u><u>41,359</u></u>	<u><u>36,324</u></u>
Gross impaired /non-performing loan as a % of gross loans advances and financing	<u><u>0.9%</u></u>	<u><u>0.9%</u></u>

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

28d Financing, advances and other financing (continued)

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

	<u>The Group</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
Collective assessment allowance		
At 1 July		
- as previously stated	-	-
- effect of adopting FRS 139	84,875	-
At 1 July, as restated	84,875	-
Allowance made / (written back)	9,447	-
Unwinding income	(251)	-
At end	<u>94,071</u>	<u>-</u>
Individual assessment allowance		
At 1 July		
- as previously stated	-	-
- effect of adopting FRS 139	1,294	-
At 1 July, as restated	1,294	-
Allowance made / (written back)	(303)	-
Amount recovered	-	-
Amount written off	-	-
Unwinding income	(24)	-
At end	<u>967</u>	<u>-</u>
General allowance		
At 1 July		
- as previously stated	66,175	73,486
- effect of adopting FRS 139	(66,175)	-
At 1 July, as restated	-	73,486
Allowance made / (written back)	-	(7,311)
At end	<u>-</u>	<u>66,175</u>
As % of gross financing, advances and other financing less specific allowance	<u>0.0%</u>	<u>1.9%</u>
Specific allowance		
At 1 July		
- as previously stated	22,707	21,027
- effect of adopting FRS 139	(22,707)	-
At 1 July, as restated	-	21,027
Allowance made / (written back)	-	19,831
Amount recovered	-	(8,426)
Amount written off	-	(9,725)
At end	<u>-</u>	<u>22,707</u>

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

	<u>The Group</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
Non-Mudharabah		
Demand deposits	493,586	453,133
Saving deposits	644,967	631,211
Negotiable Islamic Debt Certificate	1,272,342	1,254,754
Others	-	-
	<u>2,410,895</u>	<u>2,339,098</u>
Mudharabah		
Demand deposits	-	-
Saving deposits	648,156	636,172
General investment deposits	3,657,905	2,287,927
Specific investment deposits	2,148,102	2,468,418
Others	-	-
	<u>6,454,163</u>	<u>5,392,517</u>
	<u><u>8,865,058</u></u>	<u><u>7,731,615</u></u>

29 Change in Accounting Policies

(a) Change in Accounting Policies

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

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

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

The change in accounting policy has been accounted for prospectively in line with the transitional arrangements under para 103AA of FRS 139.

1) Impairment of Loans, Advances and Financing

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

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

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

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

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

The adoption of FRS 139 and the transitional provision has resulted in the following adjustment against the retained profit of the Group and the Bank as at 1 July 2010:

29 Change in Accounting Policies (continued)

1) Impairment of Loans, Advances and Financing (continued)

	Group RM'000	Bank RM'000
i) Write back of specific allowance	275,503	252,796
ii) Write back of general allowance	577,822	511,615
iii) Opening adjustment in collective assessment allowance	769,545	684,670
iv) Opening adjustment in individual assessment allowance	228,018	226,724

2) Recognition of Interest Income

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

The change in accounting policy has resulted in an adjustment of RM57,207,000 and RM54,984,000 (before tax effects) respectively for the Group and the Bank to opening retained profits.

Prior to the adoption of FRS 139, where a loan becomes non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing are reversed out of the income statement and set off against the accrued interest receivable account in the balance sheet. Subsequently, the interest earned on the non-performing loans shall be recognised as income on cash basis.

Upon adoption of FRS 139, once a loan has been written down due to impairment loss, interest income is recognised based on the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss. Accordingly, all prior years' interest-in-suspense of RM119,894,000 and RM 114,112,000 (before tax effects) has been written back to the opening retained profits of the Group and the Bank.

3) Recognition of Embedded Derivatives

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

There is no effect to the results as the Group and the Bank do not have any material embedded derivatives.

4) Fair Valuation of Unquoted Equity Securities

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

The effect of this change has been accounted for as an adjustment to the opening balance of the AFS reserves of RM105,454,000 and RM105,957,000 for the Group and the Bank.

29 Change in Accounting Policies (continued)

(b) Summary of Adjustments due to Change in Accounting Policies

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

	Group			Bank		
	Balance as at 1 July, as previously reported RM'000	Effects on adoption of FRS 139 RM'000	As restated RM'000	Balance as at 1 July, as previously reported RM'000	Effects on adoption of FRS 139 RM'000	As restated RM'000
Retained profits	3,044,043	24,655	3,068,698	2,573,041	16,585	2,589,626
Available-for-sale reserve	17,060	79,090	96,150	17,189	79,468	96,657

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 RM317.4 million for the current financial quarter ended 30 September 2010, an increase of RM28.6 million or 9.9% as compared to previous corresponding quarter. The increase was due to higher net interest income of RM40.5 million, lower allowance for impaired loans, advances and financing by RM2.2m coupled with higher share of profit from Bank of Chengdu of RM6.3 million. This is however accompanied by lower other operating income by RM11.1 million, lower net income from Islamic banking business by RM1.2 million and higher operating expenses by RM7.8 million.

2 Review of performance of current quarter against preceding quarter

For the current financial quarter, the Group recorded a pre-tax profit of RM317.4 million as compared to RM345.1 million in the preceding quarter, a decrease of RM27.8 million mainly from higher allowance for impaired loans, advances and financing by RM36.5 million coupled with lower share of profit from Bank of Chengdu by RM22.0 million. This is offset by higher net interest income by RM 10.8 million, higher other operating income by RM11.1 million and lower operating expenses by RM9.2 million.

3 Current year prospects

The Group continues to be cautiously optimistic about the economic outlook for the rest of the year. There are opportunities to assert our liquidity franchise to strongly grow for scale. 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

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2010	30/09/2009	30/09/2010	30/09/2009
	RM'000	RM'000	RM'000	RM'000
The Group				
Malaysian income tax	66,918	31,096	66,918	31,096
Oversea tax	-	-	-	-
	<u>66,918</u>	<u>31,096</u>	<u>66,918</u>	<u>31,096</u>
Transfer from/(to) deferred taxation	(6,751)	23,552	(6,751)	23,552
	<u><u>60,167</u></u>	<u><u>54,648</u></u>	<u><u>60,167</u></u>	<u><u>54,648</u></u>

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2010	30/09/2009	30/09/2010	30/09/2009
	RM'000	RM'000	RM'000	RM'000
The Bank				
Malaysian income tax	66,281	22,555	66,281	22,555
Oversea tax	-	-	-	-
	<u>66,281</u>	<u>22,555</u>	<u>66,281</u>	<u>22,555</u>
Transfer from/(to) deferred taxation	(4,898)	24,951	(4,898)	24,951
	<u><u>61,383</u></u>	<u><u>47,506</u></u>	<u><u>61,383</u></u>	<u><u>47,506</u></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, other than as mentioned below:-

- (i) On 30 March 2010, CIMB, on behalf of the Bank, announced that the Bank made a new offer to acquire the entire assets and liabilities of EON Cap at an aggregate purchase consideration of RM4,921,781,997 to be satisfied fully in cash.
- (ii) On 1 April 2010, CIMB, on behalf of the Bank, announced that the Bank has made a revised offer to acquire the entire assets and liabilities of EON Cap at an aggregate purchase consideration of RM5,060,423,744 to be satisfied fully in cash ("Offer").
- (iii) On 2 April 2010, CIMB, on behalf of the Bank, announced that the Bank had received confirmation from EON Cap to, amongst others, table the Offer for consideration and approval by EON Cap's shareholders and submit the applications to the Minister of Finance and other relevant regulatory authority for approval of the Offer, in accordance with the terms of the Offer.
- (iv) On 23 April 2010, CIMB Investment Bank Berhad, on behalf of HLB, announced the following:
 - a. details on the proposed acquisition of the entire assets and liabilities of EON Cap at an offer price of RM5,060,423,744 to be satisfied fully in cash ("Proposed Acquisition");
 - b. that HLB proposes to undertake a renounceable rights issue of new ordinary shares of RM1.00 each in HLB ("Rights Shares") to the entitled shareholders of HLB to raise gross proceeds of up to RM1.6 billion ("Proposed Rights Issue"); and
 - c. that HLB had made an application to BNM on the Proposed Acquisition and Proposed Rights Issue.
- (v) On 27 May 2010, CIMB, on behalf of the Bank, announced that Bursa Securities had, through its letter dated 26 May 2010, given its approval for the listing of and quotation for the Rights Shares on the Main Market of Bursa Malaysia Securities Berhad.
- (vi) On 21 June 2010, CIMB, on behalf of the Bank, announced that the Bank had, pursuant to various discussions with EON Cap, issued 2 letters dated 18 June 2010 and 19 June 2010 to EON Cap clarifying or modifying the revised offer by the Bank, details as set out in the said announcement.
- (vii) On 16 July 2010, CIMB, on behalf of the Bank, announced that the Bank had received a letter dated 12 July 2010 from EON Cap requesting certain amendments to the terms of the Offer by HLB to acquire the entire assets and liabilities of EON Cap and the timelines as indicated in HLB's letters dated 18 June 2010 and 19 June 2010.

The Bank had, in its letter dated 15 July 2010 to EON Cap, noted the amendments and timelines proposed by EON Cap and advised EON Cap as follows:

- a. The Bank agrees to EON Cap's proposal that EON Cap may only accept the Offer by delivering to the Bank the acceptance as set out in the Bank's letter of Offer dated 1 April 2010, duly signed by EON Cap no later than 5 business days immediately following the date after the last of the approvals for the Offer;

8 Status of corporate proposals (continued)

- b. The Bank agrees that the extraordinary general meeting of EON Cap to approve the Proposed Acquisition based on the offer price of RM5,060,423,744 shall be held by 20 August 2010, and all the approvals from BNM/Ministry of Finance (MoF), Securities Commissions (SC) and shareholders of EON Cap and HLB, on terms and conditions acceptable to HLB, are obtained and the acceptance of the Offer by EON Cap is given by 30 November 2010; and
 - c. the Offer is subject to all the timelines mentioned in (i) and/or (ii) above being met, unless extended by the Bank.
- (viii) On 3 August 2010, CIMB, on behalf of HLB, announced that HLB had received the approval of the Minister of Finance ("MoF") through Bank Negara Malaysia ("BNM") for, inter alia, the following:
- a. Approval under Section 45(1)(a) of the Banking and Financial Institutions Act, 1989 ("BAFIA") for HLB to acquire interest in shares of more than 5% of the shares in EON Bank Berhad ("EON Bank") and MIMB Investment Bank Berhad ("MIMB");
 - b. Approval under Section 49(7) of BAFIA for HLB to enter into an agreement or arrangement with EON Cap which would result in a change in control of EON Bank and MIMB to HLB as provided under Section 49(1)(a) of BAFIA;
 - c. Approval under Section 22(2) of the Islamic Banking Act, 1993 ("IBA") for HLB to enter into an agreement or arrangement with EON Cap which would result in a disposal of EONCAP Islamic Bank Berhad ("EONCAP Islamic") shares to HLB as provided under Section 22(1)(a)(i) of IBA;
 - d. Approval under Section 49(7) of BAFIA for HLB to enter into an agreement or arrangement with EON Bank which would result in the transfer of the banking operations of EON Bank to HLB as provided under Section 49(1)(b) of BAFIA; and
 - e. Approval under Section 22(2) of IBA for Hong Leong Islamic Bank Berhad ("HLISB") to enter into an agreement or arrangement with EONCAP Islamic which would result in the transfer of the banking operations of EONCAP Islamic to HLISB as provided under Section 22(1)(a)(i) of IBA.

BNM had also given its approval, amongst others, for HLB to acquire the subsidiaries of EON Cap, including EON Bank, EONCAP Islamic and MIMB pursuant to Section 29 of BAFIA. HLB is also required to finalise the position of MIMB by 31 December 2010 in line with BNM's policy which prohibits a domestic banking group from holding 2 investment bank licenses.

8 Status of corporate proposals (continued)

- (ix) On 19 August 2010, CIMB, on behalf of HLB, announced that HLB had received a letter dated 18 August 2010 from EON Cap seeking HLB's concurrence to extend the deadline for the holding of EON Cap's extraordinary general meeting ("EGM") to approve the Proposed Acquisition from 20 August 2010 to 30 September 2010.

In this respect, HLB had, via its letter dated 19 August 2010, agreed to amend the timeline to the following:

- (i) EON Cap may only accept the Offer by HLB by delivering to HLB the acceptance as set out in HLB's letter of Offer dated 1 April 2010, duly signed by EON Cap no later than 5 business days immediately following the date after the last of the following approvals for the Offer have been obtained upon terms and conditions acceptable to HLB:
- (a) approval from BNM/MoF;
 - (b) approval from the shareholders of EON Cap provided that if EON Cap shareholders' approval shall be subject to conditions, the said approval shall be deemed to be obtained or received only when the conditions have been met, or waived by the relevant parties;
 - (c) approval from the shareholders of HLB; and
 - (d) approval from the Securities Commission ("SC").
- (ii) the EGM of EON Cap to approve the Proposed Acquisition based on the offer price of RM5,060,423,743.60 shall be held by 30 September 2010, and all the approvals from BNM/MoF, shareholders of EON Cap and HLB, and SC, on terms and conditions acceptable to HLB, are obtained and the acceptance of the Offer by EON Cap is given by 30 November 2010; and
- (iii) the Offer is subject to the timeline mentioned in paragraphs (i) and (ii) above being met, unless extended by HLB.
- (x) At the adjourned EGM of the Bank held on 4 October 2010, the shareholders had approved the Proposed Acquisition and the Proposed Rights Issue.

9 Group borrowings

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

10 Deposits and debt securities

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
Deposits from customers				
Fixed deposits	38,704,499	38,508,805	32,909,981	33,762,006
Negotiable instruments of deposit	3,300,616	2,580,634	3,303,611	2,800,837
Demand deposits	8,272,757	8,012,103	7,793,044	7,364,677
Saving deposits	8,482,498	8,392,327	7,162,794	7,092,707
Short term corporate placement	11,592,539	11,963,804	11,592,539	11,963,804
Other	287,309	255,019	287,309	255,019
	<u>70,640,218</u>	<u>69,712,692</u>	<u>63,049,278</u>	<u>63,239,050</u>

The maturity structure of fixed deposits and negotiable instruments:

One year or less (short term)	39,741,789	39,992,231	34,576,331	35,487,392
More than one year (medium/long term)	2,263,326	1,097,208	1,637,261	1,075,451
	<u>42,005,115</u>	<u>41,089,439</u>	<u>36,213,592</u>	<u>36,562,843</u>

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
Deposits and placements of banks and other financial institutions				
Licensed banks	5,824,811	3,583,826	5,767,811	3,577,032
Other financial institutions	450,278	292,577	160,742	214,097
	<u>6,275,089</u>	<u>3,876,403</u>	<u>5,928,553</u>	<u>3,791,129</u>

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

One year or less (short term)	6,275,089	3,876,403	5,928,553	3,791,129
More than one year (medium/long term)	-	-	-	-
	<u>6,275,089</u>	<u>3,876,403</u>	<u>5,928,553</u>	<u>3,791,129</u>

11 Subordinated bonds

	<u>The Group and The Bank</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
Subordinated bonds		
- USD200 million	-	650,454

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.

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

	<u>The Group and The Bank</u>	
	Financial Period Ended 30/09/2010 RM'000	Financial Year Ended 30/06/2010 RM'000
Subordinated debt		
- RM700 million, At par	700,000	-
Less: Unamortised Discount	(3,900)	-
	<u>696,100</u>	<u>-</u>

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

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

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

12 Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 30 September 2010

The Group

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
Forwards			
(i) Less than 1 year	27,350,925	262,817	(461,826)
(ii) 1 year to 3 years	99,071	32	(493)
(iii) More than 3 years	-	-	-
Swaps			
(i) Less than 1 year	6,785,554	115,073	(64,969)
(ii) 1 year to 3 years	5,732,900	248,910	(159,931)
(iii) More than 3 years	482,775	20,010	(29,561)
Options			
(i) Less than 1 year	1,947,874	14,696	(16,146)
(ii) 1 year to 3 years	-	-	-
(iii) More than 3 years	-	-	-
Interest rate related contracts			
Futures			
(i) Less than 1 year	2,482,674	286	(6,984)
(ii) 1 year to 3 years	1,527,228	61	(1,823)
(iii) More than 3 years	-	-	-
Swaps			
(i) Less than 1 year	7,120,449	24,085	(37,947)
(ii) 1 year to 3 years	11,380,747	123,722	(164,766)
(iii) More than 3 years	19,570,315	274,203	(269,754)
Equity related contracts			
(i) Less than 1 year	128,452	223	(223)
(ii) 1 year to 3 years	33,185	-	-
(iii) More than 3 years	-	-	-
Total	84,642,149	1,084,118	(1,214,423)

12 Off-balance sheet financial instruments (continued)

Details of financial instruments with off-balance sheet risk as at 30 September 2010

The Bank

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
Forwards			
(i) Less than 1 year	27,350,925	262,817	(461,826)
(ii) 1 year to 3 years	99,071	32	(493)
(iii) More than 3 years	-	-	-
Swaps			
(i) Less than 1 year	6,785,554	115,073	(64,969)
(ii) 1 year to 3 years	5,732,900	248,910	(159,931)
(iii) More than 3 years	3,622,430	198,209	(207,760)
Options			
(i) Less than 1 year	1,947,874	14,696	(16,146)
(ii) 1 year to 3 years	-	-	-
(iii) More than 3 years	-	-	-
Interest rate related contracts			
Futures			
(i) Less than 1 year	2,482,674	286	(6,984)
(ii) 1 year to 3 years	1,527,228	61	(1,823)
(iii) More than 3 years	-	-	-
Swaps			
(i) Less than 1 year	7,120,449	24,085	(37,947)
(ii) 1 year to 3 years	11,380,747	123,722	(164,766)
(iii) More than 3 years	19,570,315	274,203	(269,754)
Equity related contracts			
(i) Less than 1 year	128,452	223	(223)
(ii) 1 year to 3 years	33,185	-	-
(iii) More than 3 years	-	-	-
Total	87,781,804	1,262,317	(1,392,622)

12 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 RM83,049,600 (FYE June 2010: RM569,392,174) and RM37,755,213,002 (FYE June 2010: RM33,587,897,090) respectively.

Derivatives

Market risk arises from the impact on trading positions of changes in foreign exchange rates and interest rates. It also includes the impact from changes in the correlations and volatilities of other risk factors. The Group manages trading market risk in the course of market-making, structuring and packaging products for investors and other clients, as well as to benefit from market opportunities. The Group's market risk framework identifies the types of the market risk to be covered, the risk metrics and methodologies to be used to capture such risk and the standards governing the management of market risk within the Group including limit setting and independent model validation, monitoring and valuation. Management of derivatives risks is continually reviewed and enhanced to ensure that the complexities of the business are appropriately controlled.

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 RM1,253,907,426 (FYE June 2010: RM1,339,766,178). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Derivatives

The amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (ie, assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

The Group uses the following derivative instruments for both hedging and non-hedging purposes:-

Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates, or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an organised financial market. The credit risk of futures contracts is negligible, as futures contracts are collateralised by cash or marketable securities, and changes in the futures' contract value are settled daily with the exchange.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (ie, cross-currency interest rate swaps). No exchange of principal takes place, except for certain currency swaps. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

12 Off-balance sheet financial instruments (continued)

Credit risk (continued)

Derivatives (continued)

Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Group and a customer (OTC). The Group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

The notional amounts of certain types of financial instrument provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

Liquidity risk

Derivatives (continued)

Liquidity risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Group's market transactions on any single day.

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.

13 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.

14 Dividend

No interim dividend has been proposed for the current quarter.

15 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.

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2010 RM'000	30/09/2009 RM'000	30/09/2010 RM'000	30/09/2009 RM'000
<u>The Group</u>				
Net profit attributable to shareholders of the company	257,200	234,211	257,200	234,211
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	(128,686)	(131,073)	(128,686)	(131,073)
	<u>1,451,421</u>	<u>1,449,034</u>	<u>1,451,421</u>	<u>1,449,034</u>
Basic earnings per share (sen)	17.7	16.2	17.7	16.2
<u>The Bank</u>				
Net profit attributable to shareholders of the company	199,141	179,862	199,141	179,862
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	(128,686)	(131,073)	(128,686)	(131,073)
	<u>1,451,421</u>	<u>1,449,034</u>	<u>1,451,421</u>	<u>1,449,034</u>
Basic earnings per share (sen)	13.7	12.4	13.7	12.4

15 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.

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2010 RM'000	30/09/2009 RM'000	30/09/2010 RM'000	30/09/2009 RM'000
<u>The Group</u>				
Net profit attributable to shareholders of the company	257,200	234,211	257,200	234,211
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,451,421	1,449,034	1,451,421	1,449,034
- adjustment for ESOS	-	-	-	-
	<u>1,451,421</u>	<u>1,449,034</u>	<u>1,451,421</u>	<u>1,449,034</u>
Fully diluted earnings per share (sen)	17.7	16.2	17.7	16.2
<u>The Bank</u>				
Net profit attributable to shareholders of the company	199,141	179,862	199,141	179,862
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,451,421	1,449,034	1,451,421	1,449,034
- adjustment for ESOS	-	-	-	-
	<u>1,451,421</u>	<u>1,449,034</u>	<u>1,451,421</u>	<u>1,449,034</u>
Fully diluted earnings per share (sen)	13.7	12.4	13.7	12.4

Dated this 16 November 2010