



OUR VISION

AN OUTSTANDING
FINANCIAL SERVICES
ORGANISATION,
HIGHLY COMPETITIVE
AND PROFITABLE,
WHERE PEOPLE MAKE
THE DIFFERENCE.



“Management Vision calls for in-depth job knowledge ... it adds dimension ... it is more than foresight ... it is that rare ability to see future potential in a business setting that reaps rewards.”

Tan Sri Quek Leng Chan
Founder and Executive Chairman
Hong Leong Group



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THE HONG LEONG BANK STORY



Hong Leong Bank Berhad (“Hong Leong Bank” or “Bank”), a public listed company on Bursa Malaysia, is a member of the Hong Leong Group Malaysia (the Group). Headquartered in Malaysia, the Group has been in the financial services industry since 1968 through Hong Leong Finance Berhad and since 1982 through Dao Heng Bank Ltd in Hong Kong. Dao Heng Bank Ltd has since been sold to another banking institution.

Hong Leong Bank started its humble beginnings in 1905 in Kuching, Sarawak, Malaysia under the name of Kwong Lee Mortgage and Remittance Company and later in 1934, incorporated as Kwong Lee Bank Limited. In 1989, it was renamed MUI Bank, operating in 35 branches. In January 1994, the Group acquired MUI Bank through Hong Leong Credit Berhad (now known as Hong Leong Financial Group Berhad). This milestone saw the birth of Hong Leong Bank and in October the same year, Hong Leong Bank was listed on the Kuala Lumpur Stock Exchange (now known as Bursa Malaysia).

In 2004, the finance company business of Hong Leong Finance Berhad was acquired by Hong Leong Bank. With more than 100 years of banking knowledge and experience, Hong Leong Bank today has a strong heritage, leading market positions and a well-recognised business franchise and brand.

Today, Hong Leong Bank has over 200 Branches and Business Centres in Malaysia, Singapore, Hong Kong and Vietnam and a comprehensive range of alternate and electronic channels including self-service terminals, Hong Leong Call Centre, Hong Leong Online, Hong Leong Phone Banking and Hong Leong Mobile Banking.

The Bank is enlarging its regional footprint. In mid 2008, the Bank officially became the first Malaysian bank to enter the Chinese banking sector with a 20% strategic shareholding in Bank of Chengdu Co., Ltd.. In December 2008, the Bank became the first and only Malaysian and Southeast Asian bank to be granted a license to incorporate and operate a 100% wholly-owned commercial bank in Vietnam.

Hong Leong Group Malaysia (the Group) is one of the largest business groups in Malaysia and internationally. The strong foundation and solid growth of the Group is attributed to the Power of Vision and the Vision of its Chairman and Chief Executive Officer, Tan Sri Quek Leng Chan. Today, the Vision is manifested and entrenched in the Group’s corporate culture, which is firmly rooted on the Group’s core values of Quality, Entrepreneurship, Innovation, Honour, Human Resource, Unity, Progress and Social Responsibility.

The Group’s “Reaching Out to You” embeds the organisation in the country and community within which it operates. Through its financial services arm Hong Leong Financial Group Berhad, which consists of Hong Leong Bank, Hong Leong Islamic Bank, Hong Leong Bank Vietnam, Hong Leong Assurance, HLG Capital and Hong Leong Tokio Marine Takafu, the Group is well positioned as an integrated financial services provider.

QUALITY
ENTREPRENEURSHIP
INNOVATION
HONOUR
HUMAN RESOURCE
UNITY
PROGRESS
SOCIAL RESPONSIBILITY

THE BUSINESS

With a heritage of more than 100 years, Hong Leong Bank is a major financial services company in the region. Apart from its core domestic market in Malaysia, the Bank has 2 overseas branches in Singapore and Hong Kong.

In mid 2008, the Bank officially became the first Malaysian bank to enter the Chinese banking sector with a 20% strategic shareholding in Bank of Chengdu Co., Ltd.. In December 2008, the Bank became the first and only Malaysian and Southeast Asian bank to be granted a license to incorporate and operate a 100% wholly-owned commercial bank in Vietnam.

The Bank is the main distribution franchise for the Hong Leong Financial Group that includes the Bank's subsidiary, Hong Leong Islamic Bank.

The Bank today serves its customers through a network of 199 Branches and Sales Centres, 17 Business Centres throughout Malaysia, 1 Branch each in Singapore and Hong Kong, a subsidiary bank in Vietnam, more than 660 self-service terminals and a full-service Call Centre. For wealth management services, the Bank offers 12 Priority Banking Centres and offshore Private Banking Centres. The Bank also offers Hong Leong Online, Hong Leong Phone Banking and Hong Leong Mobile Banking services as well as various electronic payment capabilities including cross-border ATM services.

Hong Leong Bank's "Reaching Out to You" has embedded the Bank well within the community. The Bank has also won

many recognitions and accolades over the years for its quality banking products and services and is known for its Integrity, Trust and Service.

The Hong Leong Bank Brand is well respected today. The Bank is relationship-focused, sells honestly and lives up to its heritage values.

Hong Leong Bank's Key Businesses

Personal Financial Services

The principal business activities cover the provision of retail loans, deposit products, wealth management and Priority Banking services to individuals.

Wholesale Banking

The principal business activities are in HL Markets (Treasury), Corporate and Commercial products and services, and Debt Capital Market solutions to SMEs, middle market companies and large corporates.

Hong Leong Islamic Financial Services

The Bank's subsidiary, Hong Leong Islamic Bank focuses on Syariah-compliant commercial banking, Islamic Wholesale and Investment Banking as well as Islamic Wealth Management.

Regional Franchises

HL Bank Singapore, the Singapore Branch is a recognised boutique investment bank offering Investment Banking, Private Banking, Treasury and Asset Management services.

The Hong Kong Branch operates a Treasury and Wealth Management business model. It is the first bank in Hong Kong to launch an Islamic Banking Window.

A subsidiary of the Bank, Hong Leong Bank Vietnam Limited is geared towards becoming a locally embedded and full-fledged commercial bank in Vietnam.

Bank of Chengdu Co., Ltd. is a leading city commercial bank in western and central China, with its base in Chengdu, the capital of Sichuan Province. With a network of over 114 branches, it carries out a full-fledged commercial banking business. The 20% strategic shareholding in Bank of Chengdu is a platform for the Bank to expand its activities in China.



Hong Leong Group is committed to a policy of social responsibility by striving for the betterment of the society through its contributions to the development and progress of the communities in which it operates.

THE QUALITY

OUR CORE VALUES
INTEGRITY • TRUST • SERVICE



Hong Leong Bank is well recognised regionally and has won many accolades over the years for its brand strength, quality products and services, management and sound business performance.

1 “Malaysia’s Most Valued Brands”, an independent evaluation by Interbrand ranked Hong Leong Bank among the top 10 most valuable brands in Malaysia for 2007 and 2008, with a brand value exceeding RM 3 billion

2 The Wall Street Journal Asia’s “Asia 200 Most Admired Companies” ranked Hong Leong Bank amongst Malaysia’s top 10, and the Bank was also ranked among the top 5 in the Financial Reputation category and among the top 10 for Corporate Reputation

3 Asiamoney FX Poll 2009’s “Best Domestic Provider of FX Services in Malaysia” as voted by Financial Institutions in its largest ever FX Poll

4 JPMorgan Chase ‘MT103 Standard Award’ 2007 and 2008

5 JPMorgan Chase ‘MT202 Elite Quality Recognition Award’ in 2006, 2007 and 2008 for excellence in funds transfer operations management

6 The Asian Banker Best E-Banking Project 2007

7 A Letter of Commendation Award for Best Trading Back Office Project, The Asian Banker IT Implementation Awards 2007

8 The Asian Banker’s Best Credit Card Product Award 2006

9 CGC Top SMI Supporter Award 2004

10 KPMG 2003 Shareholder Value Award

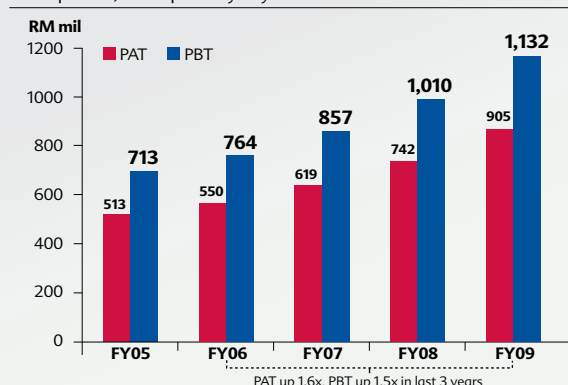
11 Finance Asia 2002 Asia’s Best Companies Award

FINANCIAL HIGHLIGHTS

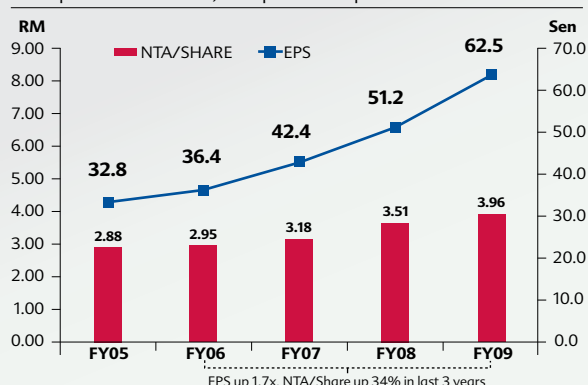
Group	June 05 RM Million	June 06 RM Million	June 07 RM Million	June 08 RM Million	June 09 RM Million
Total Assets	57,710	60,596	71,424	77,461	79,405
Net Loans	25,583	28,619	31,655	34,534	34,795
Customers Deposits	39,916	44,276	56,719	62,548	67,583
Pre-tax Profit	713	764	857	1,010	1,132

Bank	June 05 RM Million	June 06 RM Million	June 07 RM Million	June 08 RM Million	June 09 RM Million
Total Assets	57,761	55,139	66,161	69,993	70,733
Net Loans	25,578	24,671	27,966	30,306	30,938
Customers Deposits	39,991	39,059	51,873	56,467	59,719
Pre-tax Profit	1,521	697	759	949	886

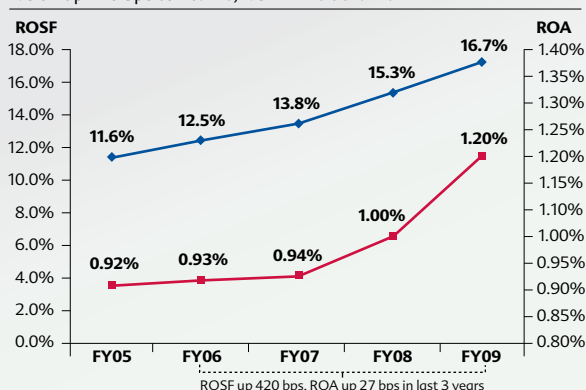
Resilient, Satisfactory Profitability through Difficult Financial Year
PAT up 22%, PBT up 12% y-o-y



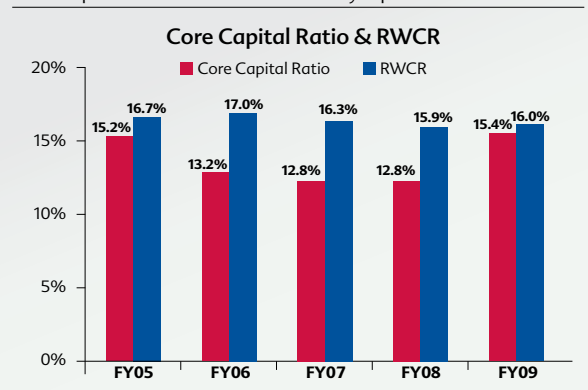
Intrinsic Value of Bank Strengthens
EPS up 22% to 62.5 sen, NTA per share up 13% to RM 3.96



Shareholder Value Creation Intact
ROSF up 140 bps to 16.7%, ROA > 1% at 1.2%



Strong Capitalisation for Growth and Economic Buffers
Core Capital Ratio and RWCR at industry top-tier levels



PAT — Profit After Tax | PBT — Profit Before Tax | EPS — Earnings Per Share | NTA — Net Tangible Assets | ROSF — Return On Shareholder Funds | ROA — Return On Assets | RWCR — Risk Weighted Capital Ratio | Y-O-Y — Year-On-Year | BPS — Basis Points

CHAIRMAN'S STATEMENT



“On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Hong Leong Bank Group (“Group”) and Hong Leong Bank (“Bank”) for the year ended 30 June 2009 (“FY09”).”

FY09 was unprecedented for we started and ended the year with starkly different worlds with different financial and economic realities. To many investors and customers, banking is the worldwide industry that failed in 2008. The costs of this failure have been and will be massive for years to come. The re-building of banks and confidence will take time.

We are in this business of banking. Although the banking sector in Malaysia and the Group weathered the storm with relative resilience through these tumultuous times, we have to face up to the repercussions of the structural changes that are sweeping through the global financial system.

We owe you, our shareholders and owners a fiduciary duty and are obliged not to fail you. The scale of value and wealth destruction has been unprecedented in our time. The global financial services industry lost

more than half its market capitalisation value in 2008, effectively wiping out all shareholder value that has been created in the last 5 years.

As we look back at 2008, the credit crisis from sub-prime credit losses in August quickly led to concurrent crises in capital and liquidity. Write-offs eroded capital bases and insolvency risks significantly reduced borrowing ability and the willingness to trade. LIBOR spreads reached historic highs while equity prices collapsed.

Banks also became too afraid to lend to each other and the short-term interbank market froze up, causing a series of insolvencies among institutions that rely on short-term wholesale funding. It was as much a crisis of confidence as it was one of credit, capital and liquidity. The crises spread globally through the interlinked capital markets and changed the entire system. 2008 ended with never before seen government

intervention across every sector and industry all over the world.

2009 arrived with a globally mediocre and bleak outlook. Malaysia's macro-economic environment deteriorated in tandem with the sharp global downturn. The country's growth turned negative and GDP shrank 6.2% in the first quarter of 2009. Official estimates predict the GDP to contract by as much as 5% in 2009.

It is against this intensely volatile context that the Group's financial and franchise performance over FY09 is to be measured.

You will see that our financial performance in FY09 was steady. It demonstrates the Group's vision and reputation as a prudent custodian of deposits and a preferred investment for shareholders, through the vicissitudes of market risk cycles. The continuity of owners and management, strength of

governance and management as well as the confidence of the community in the franchise as a trusted, quality bank are key pillars of the franchise's resilience, defensiveness and sustainability.

Resilient Performance through Highly Difficult and Challenging Times

In spite of the challenging conditions, we ended FY09 with a satisfactory and commendable set of financial results. We avoided pitfalls, steered through extreme market conditions and preserved the franchise through a severe downturn. Unlike the damage to shareholder value in many other banks in the recent past of 2008, the Group saw a meaningful consolidation in our core segments and sustained the pace of value creation for shareholders.

The Group's pre-tax profit ended at RM 1.13 billion for its full financial year results ended 30 June 2009. After-tax profit grew RM 163 million, up 22% year-on-year.

Returns on average shareholder funds (ROSF) advanced by 140 basis points to 16.7%, compared to 15.3% reported for the whole 12 months last financial year. Return on assets (ROA) improved from 1.0% to 1.2% against the same period.

Net assets per share rose by 45 sen to RM 3.96 compared to RM 3.51 as of June 2008. Earnings per share (EPS) expanded by 22% to 62.5 sen compared to 51.2 sen last financial year.

Total assets expanded 2.5% year-on-year to RM 79.4 billion. Customer deposits grew 8% year-on-year to

RM 67.6 billion, underscoring the Group's strong deposit franchise. The strong deposit growth has enabled the Group to remain highly liquid with a loan-deposit ratio of 52.7%.

Gross loans closed relatively flat at RM 35.6 billion for FY09. The Group continues to ensure that access to financing remains available for individual and business customers. We are highly supportive of the moves by the Government and Bank Negara Malaysia to enhance access to financing. As the country and our community face these difficult times, we at Hong Leong Bank remain deeply committed to supporting our customers and businesses.

The revenue challenge over FY09 was a testing one, fraught with 3 interest rate cuts that took rates to historic lows in the country, an unabated and relentless price war in the market and the challenge of growth drivers falling into the negative territory.

Non-performing loan ("NPL") formation risks heightened over the financial year and potentially posed a significant downside risk to earnings in the sector. In FY09, despite running against severe headwinds in the real economy, the gross NPL and net NPL ratios decreased to 2.2% and 1.3% respectively in FY09, from 2.4% and 1.4% last year.

The Group's capital position remained strong, with the risk-weighted capital ratio ("RWCR") at 16.0%, up from 15.9% last year. The Group's high capitalisation level shows our prudence and capital policy in maintaining high economic capital buffers and safeguards for customer and franchise protection. At the end of the day,

we maintain capital availability at certain levels against our risk appetite, balanced with future growth needs and potential returns drag as well capital flexibility and capacity for enterprise growth plans (organic and inorganic).

The philosophy of banking that has always been guiding and carrying the Group through both good and bad times is well intact - a well capitalised balance sheet, a strong liquidity and deposit franchise, strategic asset-liability management, prudent risk management, a strong credit mantra, simple and back-to-basics products and services, as well as quality reputation and market confidence. More importantly, this requires the professional will by a Management that focuses on building long-term Prime Value and does not sacrifice the sustainability of the franchise for short-term profits.

These are the ingredients that galvanise the long-term strategic resilience of the Group.

Managing Confidence and Branding Over an Uncertain and Volatile Period

For many years now, long before corporate social responsibility ("CSR") was promulgated into guidelines for companies to follow, the Hong Leong Group had in place internal best practices to ensure the economic sustainability of its businesses. Economic sustainability as a key tenet of the Group's CSR philosophy is well embedded in the Group and is even more pronounced in its significance during difficult times. It is about having an established discipline and structure on financial management

to preserve the quality of the business as a going concern and enterprise risk management to prevent defaults from fundamentally damaging enterprise value. A strict code of business conduct and ethics, compliance and controls alongside the strict practice of responsible selling and marketing of products and services especially wealth management products are also key aspects behind the Group's practices. The unwavering focus on these practices guided the Group well through the challenging times and extreme conditions of the financial year.

FY09 financial performance exceeded market forecasts. The expansion in EPS was 15% ahead of consensus estimates by market analysts.

The Group's stock price enjoyed premium valuations during the worst of the crisis and was one of the most defensive banking stocks not just in the country but also in Asia. From September to December 2008, at the peak of the crisis, the Group's stock price outperformed the KLCI (KLCI was down 20.3% relative to a 11.3% decline of the Bank's stock price over the same period) despite the intense battering of bank stocks globally and regionally.

Hong Leong Bank in Pursuit of Prime Value

“Prime Value is the intrinsic value placed by the market on a business based on various factors including the business's scalability, resilience, sustainability, brand recognition, transformational growth and global competitiveness”

Hong Leong Group Malaysia

The financial results of FY09 and market confidence in the Group clearly tested the viability and sustainability of the Business Transformation Programme of 2005-8. Our track record and global reputation for shareholder value creation remain intact.

The strong growth of deposits of 8% in FY09 is underpinned by the support of the community to the Group as a trusted and embedded bank. It reflects the solid confidence of our customers in entrusting their wealth to our custodianship. Deposits by individuals already place us among the top 3 commercial banks for retail deposit garnering. This has always been a core philosophy of the Group, unlike many banks which were hurt by their heavy reliance on wholesale funding during the crisis.

Through the downturn, the Bank's credit ratings were affirmed by Fitch Ratings in December 2008, RAM Ratings in March 2009 and Moody's in July 2009, all with a stable outlook. The ratings were predicated on the Bank's robust financial position, particularly its strong capital position and low and well-reserved NPLs which should help to buffer the Bank against the more challenging operating conditions ahead. Other credit strengths include the Bank's well-regarded franchise, sturdy funding and liquidity position. The ratings are the strongest of all mid-size commercial banks and were among the top 3 of local commercial bank ratings.

In July 2009, The Wall Street Journal Asia's "Asia 200 Most Admired Companies" survey, a yearly survey of their subscribers and businesspeople

ranked Hong Leong Bank among Malaysia's top 10. The Bank was one of three banks in the top 10 list and the only mid-size bank to be recognised. The Bank was also ranked among the top 5 in the Financial Reputation category and among the top 10 for Corporate Reputation.

"Malaysia's Most Valued Brands 2008", an independent evaluation by Interbrand and 4A's again ranked Hong Leong Bank among the top 10 most valuable brands in the country for the second consecutive year, with a brand value of RM 3 billion. That valuation places Hong Leong Bank as a pure banking franchise more than four times larger than the fourth and fifth largest financial services groups in the country.

Further Expansion towards Regional Embedment

The State Bank of Vietnam, in December 2008 granted a license to the Group to incorporate and operate a 100% wholly-owned commercial bank in Vietnam. The Group became the first and only Malaysian and Southeast Asian bank to obtain such a license, and one of only five licensees to have obtained this type of license thus far. With a full-fledged commercial banking license, we aim to embed Hong Leong Bank Vietnam Limited ("HLBVN") in the Vietnamese economy, market and community. In July 2009, HLBVN was legally incorporated and business operations will commence by the last quarter of 2009.

The Group's acquisition of a 20% equity interest in Bank of Chengdu Co., Ltd. (formerly known as Chengdu City Commercial Bank Co. Ltd.) was

another first, namely the first strategic investment by any Malaysian bank into the Chinese banking sector. In FY09, this strategic investment contributed its maiden share of RM 99 million to the Group (as a share of profit after tax of equity accounted associated company in the income statement).

Both investments, alongside the branches in Singapore and Hong Kong are part of the Group's long term goal of establishing a bigger presence in Asia.

Other Corporate Moves

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

The Group is a 64%-owned subsidiary of Hong Leong Financial Group Berhad ("HLFG") and HLAH is a wholly-owned subsidiary of HLFG. This rationalisation will better enable the Bank to focus on its core business of banking services.

The consideration for the transaction will be based on the net assets of HLTMT as at the last day of the calendar month on which all the conditions precedent under the SPA have been fulfilled and/or waived or such other date as may be agreed by the parties. The transaction is subject to all requisite regulatory approvals being obtained.

Dividends

The Board is proposing a final dividend of 15.0 sen per share less tax of 25%,

payable on 17 November 2009 subject to the approval by shareholders in the coming Annual General Meeting. Subject to the approval, total dividends in respect of the financial year ended 30 June 2009 would be 24.0 sen per share.

Responding to Market Changes

The Group is today well-positioned. With a top-tier liquidity and capitalisation strength, a sound and diversified asset portfolio, sustainable earning power, a regional footprint and full-fledged commercial banking capabilities, we have the financial and management flexibility to grow and take advantage of opportunities that arise from market dislocations during these uncertain times. It is from a position of strength that we look with guarded optimism into the new financial year of 2010.

We remain cautious on the credit outlook. As an export-led economy, we are very much integrated into the shape and pace of the global and regional economic recovery. I would say we were prepared for this crisis but we cannot be complacent and be caught on the back foot. Central to this is our core role of being a prudent custodian of our customers' deposits and a responsible credit provider to individuals and businesses.

A closer examination of the potential future sources of systemic risks will bring forth new opportunities to transform the sector for a more sustainable long-term growth in both the financial and real economies. Unlike many other financial systems where pricing and credit spreads widened considerably to adjust for economic and default risks, the narrower margins and price war in our

local industry will continue to pressure the revenue line. We must remain vigilant of this pricing and risk-reward imbalance.

The current economic and financial crisis has structurally altered the global financial system. The social contract between society and banks is now even more strict and under greater scrutiny.

That means we must expect to see increased government intervention, tighter and higher regulatory standards, a re-definition of the role of financial institutions and banks as well as their changing roles and dynamics with capital market players, rating agencies, supranational bodies, consumers and accounting bodies. It will take years to work through the crisis, continuously adjust to the landscape changes, restore confidence in banking and create conditions for renewed growth and wealth creation.

Some models of financial institutions expired during the crisis. Just as the economics of all businesses were turned upside down by the crisis, we are challenged as a Group and Bank to respond to a variety of near term outlook and long-term scenarios. It is too premature to speculate on what the lasting landscape changes are from the unwinding of global imbalances, a new environment of tighter credit and lower economic growth, increased intervention and the shadow of the state as well as the diminished pace of globalisation.

One thing is for certain - we must adapt and transform our business model all over again and identify new sources of growth and manage new risks. A new vision is required and this will dominate our strategic agenda and conversations going forward.

We can be opportunistic, create and enter new markets and segments as well as grow new business lines through new talents and skill sets, all from a position of strength to secure our options for the future.

I therefore remain confident and positive of the Group's prospects. With the support of my fellow members of the Board of Directors, colleagues and Management team, I believe we can build on the heritage of Hong Leong Bank in the community. We will continue to embed the franchise across the region and meaningfully power up our pace towards our Vision of becoming an outstanding financial services organisation, highly competitive and profitable, where people make the difference.

Note of Appreciation

On behalf of the Board of Directors, I would like to express my gratitude to our customers, business partners and shareholders for their continuous support and confidence in the Group. A special note of appreciation goes to the Management team and all the staff members of the Group for their vision, unwavering passion and dedication, integrity, service and hardworking professional discipline.

My sincere thanks also go to Bank Negara Malaysia, the Ministry of Finance, Government agencies and regulatory authorities for their invaluable assistance, support, guidance and counsel.

Quek Leng Chan

Chairman

16 September 2009



THE VALUE OF HERITAGE

THE POWER OF VISION

BUILDING UPON THE
STRENGTH OF THE NATION

GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE'S REVIEW

What a year the Financial Year of 2009 was.

As we looked back over the last 5 to 6 years, on many occasions, we were chided by market analysts for being more conservative relative to our competitors, unexciting even. During good times, defensive names like ours were oft-times overlooked for more glamorous beta stocks.

But we were resolute in always rigorously preserving and sustainably growing long-term franchise and shareholder value. Long-term economic sustainability and prime value creation have always been our core mindset. It is a simple discipline - no excessive risk-taking in the short-term by sacrificing tomorrow's credit, liquidity and franchise reputation for today's profits, but to stay focused on the long term creation of value for shareholders. It is that simple.

"Long-term economic sustainability and prime value creation have always been our core mindset."

And as the world was unravelled by a financial crisis of credit, capital, liquidity and confidence, clearly our long-term steadfastness to value has been the right way of doing things.

Getting the Basics Right

By sticking to our knitting of building on ordinary customers and businesses



through their lives and economic cycles, we weathered the crisis by getting the basics right.

And ours basics have always focused on the following pillars.

Key pillars of our philosophy guided us well through the difficult period

Long-term vision and discipline of not trading off franchise sustainability for short-term gains		
Continuity of owners & management	Strength of governance	Deposit franchise, strong liquidity
Business ethics, responsible selling	Simple, back-to-basic products	Embedment, community confidence
Strategic asset-liability management	Prudent risk management	Unwavering credit mantra
Group CSR philosophy of Economic Sustainability		

In this letter to you, I am taking the opportunity to chronicle and review the business against the lessons gleaned from what went wrong in the industry

and what the implications are, and where the risks and opportunities lie for our businesses.

It is my hope that our key messages to you generate the optimism, enthusiasm and confidence that we have in building on our resilient base for the future.

Pre-emptively Managing Enterprise Risk through the Crisis

Barely two months into the 2009 financial year, Lehman collapsed and the world changed with it.

The confluence of global imbalances, easy credit, an insatiable appetite for short-term cheap wholesale funding, the rapid proliferation and sale of structured derivative products incomprehensible even to us bankers, and the build-up of the asset bubble were all pointing to a perfect storm.

The pro-cyclical nature of strategies, actions and events of many others and their hype did not distract us from our fundamental prudence and mandate of steadfastly safeguarding customer deposits and the investment of our shareholders.

The institutional memory, embedded practices and governance at the Bank have always been about the basics, and even when we took on the 2005-8 Business Transformation programme, we never forgot the basics. We further built on them.

We do not seek to avoid risk. Banking is business of risks and risk-taking. The crux is to consistently take the appropriate risks, with a long-term view, understand them fully and manage them as well as we can.

When the crisis broke, the "black swan" of events was no longer academic. Our early cautious mood before the market turned allowed us to efficiently lock down a series of fireproofing measures and risk reduction actions for both on and off balance exposures, contingency and scenario planning, stress tests and cost control measures to preserve the franchise and shareholder value.

With the global financial systems in a tailspin, we responded with an equally strong set of multi-dimensional responses. In other words, we simply had to batten down the hatches, with memories and lessons of the 1997-8 Asian crisis well heeded.

For much of the first half of the financial year, we stepped up on addressing the credit cycle stress and our risk positioning. We focused on where the country's real economy and the Bank

were in the credit cycle, taking into account the lagging effects of the global fallout. The emphasis was on containing the downside risk and anticipating how large the charge-off rates could be across all asset classes.

"...we have been active on the ground directly with many customers to help them cope and prepare for the changing times."

Having the right level of conservatism in our provisioning policy and a strong credit underwriting culture and responsible lending standards maintained for the Bank a strong, healthy balance sheet. We have built up sufficient capacity to absorb the unexpected losses and handle stress case scenarios if loan credit losses did accelerate in the worst case scenario.

We also focused on the review of pre-NPL accounts, early alerts, and took the necessary course of action for watch list and high risk accounts. We beefed up collection efforts and allocated more resources to the early identification and management of potentially delinquent accounts.

More importantly, we have been active on the ground directly with many customers to help them cope and prepare for the changing times. We also organised seminars to help our customers and the community better understand the impact of the economic headwinds and structural changes on their individual and business lives. The active and early engagement of our customers is important and will continue.

We also reduced our market risk exposures by making appropriate changes to our limits management and contained volatile mark-to-market losses to earnings. We ensured bond, investment and trading positions are healthy across all our Treasury operations in Malaysia, Singapore and Hong Kong. The investment process was tightened accordingly to adjust for market changes and counterparty risks dynamically examined.

Even though we knew that our liquidity and funding positions have always been our core strength, we took no chances and subjected them to the most stringent scenario and stress tests. During good and bad times, our maxim has always been to ensure that for whatsoever reason if there is a liquidity squeeze, the Bank would be able to confidently and comfortably sustain the liquidity shocks and would have secure, adequate levels of funding to meet its obligations.

We also vigorously prepared for a difficult and most challenging business environment, one marked by 3 Overnight Policy Rate ("OPR") cuts totaling 150 basis points, downward shift in loan growth, trimmed corporate earnings, risk of worsening credit charge and potential losses from treasury assets.

We tightened areas of operational weaknesses in a crisis especially fraud, compliance and control lapses, documentation issues and system failures. Operational risk events and incidents tend to rise during difficult times and it pays to be even more vigilant.

Our cost-income discipline over the years and uncompromising pursuit of a positive revenue growth to expense growth

jawline retained for the Bank a flexibility in the cost structure to withstand a weak to conservative topline growth when the environment became difficult. We have fortunately invested in the Bank's

well in the face of economic adversity and trying times.

Our financial performance in FY09 was steady and resilient. We not

"The Group's reputation as a prudent custodian of deposits and a sound investment for shareholders, through market swings and risk cycles, is well intact."



We have the best credit ratings of all mid-size local commercial banks. The quality of our credit ratings puts us among the top 3 frontrunners of all local commercial banks. Our credit profile is sound and our ratings confirmed, affirmed and re-affirmed by Moody's, Fitch Ratings and RAM Ratings.

The Group's capital position remained healthy, with the risk-weighted capital ratio ("RWCR") at 16.0%.

The Group's reputation as a prudent custodian of deposits and a sound investment for shareholders, through market swings and risk cycles, is well intact.

And on the back of a comprehensive Business Transformation Programme from 2005 to 2008, the Bank is today a full-fledged commercial bank with a regional franchise, strong market positioning in different market segments, diversified earnings, wide competitive capabilities, relevant products and services, deep people assets and one of the most comprehensive multi-channel distribution franchises in the country.

We are emerging from the crisis in a position of strength. I believe it is a considerable sign of strength that the Bank could manage through such extraordinary times with an even stronger set of results. But the market weakness persists and we have to remain vigilant.

Transformation ahead of the cycle. These are no normal times, and certainly much of our financial year was not about the business-as-usual pursuit of incremental growth and market share.

Banks do not fail because they do not make enough profits or gain enough market or volume share. Banks fail because they do not have enough liquidity and capital, undone by credit losses where the system and customers lose confidence in them.

Net Result - Transformation and Resilience Tested through the Crisis

So the net result?

The Business Transformation of 2005-8, which I shared comprehensively with you last year, was tested, consolidated and has proven to be sound in its strategy and robust in its execution, and held up

only preserved shareholder value but continued to create more value for shareholders.

Profit after tax ("PAT") was up 22% against last year. PAT grew 1.6 times in the last 3 years. Return on shareholder funds was up 1.4% to 16.7%, a growth 420 basis points in the last 3 years. Return on assets improved by 20 basis points to 1.2%. Earnings per share grew 22% to 62.5 sen, up 1.7 times in the last 3 years. Net tangible assets per share rose 13% to RM 3.96, an improvement of 34% against 3 years ago.

Not only did the intrinsic value of the Bank improve, our liquidity position was also equally healthy at 52.7% at the financial year end. Net non-performing loan ratio decreased to 1.3% against 4.6% in 2005. This places us among the top 2 local banks for asset quality. Loan loss coverage has risen more than double since 2005 to 109.1% and credit charge halved over the same period.

Let us now share with you how our lines of businesses fared over the year and what the implications are in the future.

Personal Financial Services

With RM 640 million in segmental pre-tax profit, Personal Financial Services ("PFS") recorded a steady year overall and contributed 62% to Group profits. Revenue held firm at RM 1.4 billion or 68% of total Group revenue. Non-interest income grew 11% year-on-year to RM 256 million.

In the past 4 years, PFS has seen compound annual growth rates of 30%

"The Branches continue to be a trusted and embedded network within our community bases for deposit gathering."

in new customers acquired, 8% in the customer base, 14% in loans and 24% in Asset under Management ("AuM"). The emphasis remains focused on making Hong Leong Bank relevant and differentiated through a consistent consumer-driven strategy, broadest and relevant product offerings with a life-stage perspective, impactful brand building initiatives and good customer service levels.

Despite the lacklustre environment where Malaysia's consumer confidence dipped to one of its lowest levels in more than a decade, PFS built on its growth platform and consolidated its loans market share at 6.5%. Asset quality remained strong, with gross NPL declining to RM 456 million from RM 476 million last year. This is an improvement of 26% in two years.

PFS ranked fourth for mortgage market share at 7.3%. Credit card market share stood at 8.1%. We continued to hold the number 3 position in Institutional Unit Trust Agent ("UTA") AuM market share.

Notwithstanding the uncertain and volatile market sentiment, customers entrusted more of their wealth management needs to the Bank as investment AuM remained resilient. Sales skewed towards lower yield, capital protected products.

The Branches continue to be a trusted and embedded network within our community bases for deposit gathering. With a market share in deposits by individuals at 8.7%, the Bank is among the top 3 in size for retail deposits in the country. This is a franchise strength and differentiator that effectively enables the Bank to stay highly liquid with a relatively low level of reliance on wholesale funding. Low cost retail deposits have risen to 31% of retail deposits, against 28% 2 years ago.

The PFS business efficiently serves its customers through multiple distribution channels and touch points. With a sales force of about 1500 people, PFS reaches out to our customers through 199 Branches and sales centres and 12 Priority Banking Centres. The Call Centre handled more than 1.6 million in-bound calls while Telemarketing cross-sold 6 products with sales of more than RM700 million.

Customer analytics through our proprietary approach to customer insights, knowledge, customer lifecycle management and risk analytics across all business lines continue to differentiate our franchise. Using our Enterprise Data Warehouse and analytics capabilities,

we generated 6.4 million leads for customer relationship management-based marketing campaigns. This is a significant leap of 2.8 times the lead generation capacity two years ago. The Bank's data warehouse is set up not just for Business but the IT tools and applications are also available for risk management.

"The emphasis remains focused on making Hong Leong Bank relevant and differentiated through a consistent consumer-driven strategy, broadest and relevant product offerings with a life-stage perspective, impactful brand building initiatives and good customer service levels."

Going forward, the challenges are manifold. Consumer consumption has declined with the sector's card retail spend down by 2%, new car sales declining by more than 15% and new residential units declining by more than 50%. Consumer banking is also under tighter regulatory scrutiny with regulated tiered pricing for credit cards, reduced fees and charges, removal of processing fees and increased product transparency. The battlefield centred around mortgage with an intense price war that hurts profitability and encourages re-financing. Consumers are expecting more and demanding reward for their loyalty and vintage. Behaviours are also changing as consumers cut back on retail expenses, reduce exposure to risky asset classes, reduce debts and increase their savings.

These structural changes are compelling us to drive efficiency in the PFS business and re-invent the PFS business model.

We may have to accept short-term profitability compression until the environment normalises even though the price war results in diminishing returns from incremental growth. We must continue to scale up volumes to sustain the portfolio's profitability and avoid market share marginalisation in a downcycle. By right-risking the portfolio, we can position the portfolio for margin management when the upcycle kicks in. But we have to do this with a more variable cost model and innovative products, continue to sell responsibly, penetrate new segments, expand our reach, raise service levels to a differentiating standard and capture more value from each consumer relationship. These are the imperatives that we will execute for the PFS business.

Wholesale Banking

"In Asiamoney's FX Poll 2009, its largest ever annual FX Poll, Hong Leong Bank was voted by financial institutions to be the "Best Domestic Provider of FX services"

Wholesale Banking recorded a mixed, satisfactory year. HL Markets, the treasury business continued to deliver and sustain a growth in profits by expanding its segmental pre-tax profit to RM 294 million, up 35% year-on-year. This was largely driven by a strong surge in foreign exchange ("FX") profits, up 51% to RM 157 million. The marked upscaling of FX profits by 1.9 times in the last 2 years at HL Markets shows the results of more synergistic customer flows between the Corporate and Commercial business and HL

Markets within the Wholesale Banking organisation.

In Asiamoney's FX Poll 2009, its largest ever annual FX Poll, Hong Leong Bank was voted by financial institutions to be the "Best Domestic Provider of FX services", underscoring our competitiveness and recognised capabilities of the Bank in this segment.

Non-interest operating income from trading and investment activities held steady, rising to RM 69 million against RM 9 million last year. Overall, Wholesale Banking was the largest contributor of non-interest income with a 49% share of the Bank's non-interest income mix, up from 38% last year.

The Corporate and Commercial ("C&C") segment had a difficult year. Revenue fell 14% and pre-tax profits declined to RM 101 million from RM 120 million. However, asset quality remained intact, as gross NPL declined 8% to RM 438 million from RM 475 million last year despite the heightened risk of NPL formation during the year.

As a working capital-based bank, the C&C portfolio is highly sensitive to market changes within an export-driven economy like Malaysia where the 2009 first and second quarter GDP contracted by 6.2% and 3.9% respectively. Working capital loans in the Bank ended 8% lower this year, in line with the 6% decline in the industry's working capital loan base between September 2008 and June 2009.

Trade facilities, which contribute 52% of the C&C loan portfolio ended 15% lower against last year, trending the 17% decline in the industry's overall trade bills base between October 2008 and

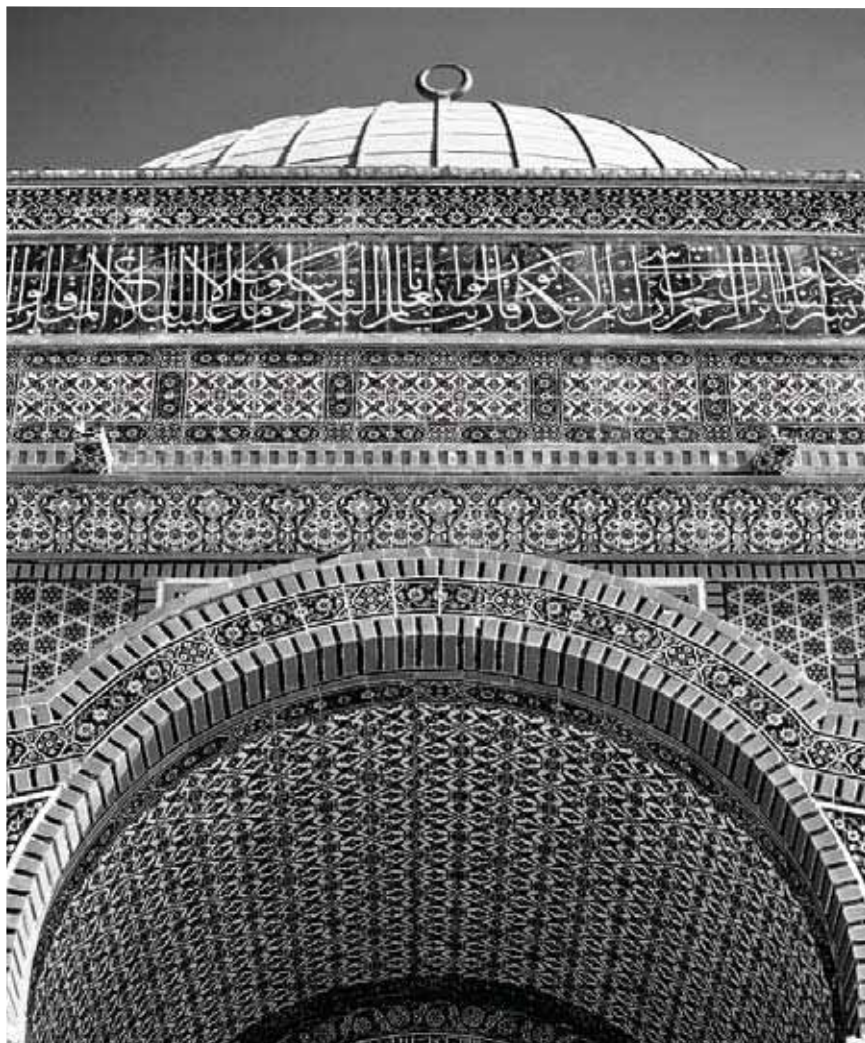
June 2009. These followed a 23% and 26% year-on-year decline in Malaysia's exports and imports between January and June 2009. In tandem, trade finance non-interest income at the Bank closed 9.4% lower against last year.

The manufacturing sector and wholesale and retail trade sector make up 68% of the Bank's C&C asset base. Both sectors in industry posted declines of 11% and 6% respectively between August 2008 and June 2009. This further compounded the issues with C&C loan growth during the year.

"The Group continues to ensure that access to financing remains available for business customers and SMEs. The Bank has approved more than RM 3 billion in loans for new commercial and SME business customers since July 2008."

The confluence of the economic and industrial headwinds resulted in quarterly contractions of 0.4%, 5.6% and 9.1% in the C&C loan base over the first, second and third quarters of the financial year. The slight pick-up in demand conditions in the last financial quarter from re-stocking activities coupled with the Government's fiscal stimulus programme and accommodative monetary environment saw a momentum push where the C&C loan base eventually expanded by 12.4% against the third quarter. Overall, when assessed against the difficult environment, the loan base ended 3.9% lower year-on-year in June 2009, a satisfactory result.

The Group continues to ensure that access to financing remains available



Islamic Financial Services

For the financial year ended 30 June 2009, Hong Leong Islamic Bank Berhad ("HLISB" or "Bank"), a wholly-owned subsidiary of Hong Leong Bank Berhad registered a higher net profit of RM 74 million, up 16% year-on-year from RM 64 million. Profit before tax strengthened to RM 100 million, up 14% year-on-year.

"Over the financial year, HLISB focused on strengthening its core capabilities in Syariah quality and compliance, product development and Islamic investment banking."

Earnings per share were 14.9 sen as of 30 June 2009 against 12.8 sen last financial year, or up 16% year-on-year. Returns on average shareholder funds improved to 10.5% against 10.1% last financial year.

During the fiscal year, challenging economic times with profit rates declining, continued pressures on the rate of return and lagging growth drivers, net income held steady with a 10% growth. This was the result of a more proactive management of yields and actions to diversify the earning sources as well as effective leveraging on the Group's reach and network, customer base, capabilities and infrastructure.

Non-financing income improved by 126% from a relatively smaller base to RM 18 million, driven by the transformation at HLI Markets (Islamic Treasury) to expand Islamic treasury income by almost 18 times over the fiscal year. With a non-financing income to total net income ratio of 10.2%, there remains significant headroom for growth in this earning segment.

for business customers and SMEs. The Bank has approved more than RM 3 billion in loans for new commercial and SME business customers since July 2008. We will continue to make good loans to help boost economic recovery.

The Bank remains cautiously optimistic of the prospects of Wholesale Banking and while there were pockets of recovery in the April to June 2009 quarter, the fuller recovery and sustainability of the real economy will take time.

Clearly the strategic themes for Wholesale Banking will centre on creating more value for customers for higher total returns on each relationship,

our trade financing advantage, the knowledge of our people and their service delivery on the ground.

Our competitive strategy has to pivot on a competitive delivery, consisting of quality people, knowledge base and solutioning capability, market intelligence and local community embedment, entrepreneurialism and how we organise ourselves to scale and build new names. As we emerge from the crisis, we need to re-segment the customers to market changes and re-build a compelling proposition on how to scale sustainably while staying opportunistic tactically.



“We continued to make investments in electronic and alternate channels to expand E-Banking as a serious alternate in our integrated multi-channel distribution strategy.”

Total assets grew 13% to RM 9.1 billion. Depositor base stood at RM 8 billion, up 29% from RM 6.2 billion as of June 2008. A strong deposit franchise and a highly liquid balance sheet (financing to deposit ratio at 49.1%) are core strengths for the Bank to expand its financing base which ended lower at RM 3.8 billion against last year.

Asset quality of the financing portfolio remains strong, with the gross non-performing financing (“NPF”) and net NPF ratios at 1.2% and 0.6% respectively as at 30 June 2009. The financing charge-off rate fell to 0.4% against 0.5% last financial year.

The capital adequacy ratio further strengthened to 23% from 18% last financial year. HLISB remains well capitalised.

Over the financial year, HLISB focused on strengthening its core capabilities in Syariah quality and compliance, product development and Islamic

investment banking. We are building new capabilities in Islamic Treasury and asset management, and the total franchise is poised to ride with the upswing opportunities, including regional Islamic finance flows when the economic environment improves.

During the financial year, we started building new platforms in asset management and Islamic banking to harness the enhanced deal flows in the region and complement our Hong Leong Islamic Bank’s International Currency Business Unit (“ICBU”) business. We are also in the process of applying to set up an Islamic branch in Singapore.

Electronic Banking

We continued to make investments in electronic and alternate channels to expand E-Banking as a serious alternate in our integrated multi-channel distribution strategy.

The migration rate of machine-able transactions to electronic and self-service terminals has now reached 85.3%, up from 79.8% last year. This effectively drives for us scalability and cost efficiencies in serving more and more of our customer’s transactions with the Bank. We have added 12 ‘24x7’ Electronic Banking Centres (“EBC”) in the last 2 years to bring the total number of EBC to 82 nationwide. We are serving customers through more than 660 self-service terminals across the country.

The number of Hong Leong Online (our Internet banking) customers is up 44% in 2 years. Hong Leong Online transactions have expanded almost 3 times in the last 2 years.

The shared Integrated Financial Portal (IFP) platform for Hong Leong Online was architected to provide responsive services, progressive scalability, high availability and trusted security in order to cater to a host of mission critical business services via this platform. IFP hosting expanded to include HLeBroking and SMS notification services for Branches.

We launched the first online real time payment services in Malaysia, “Pay+”. Hong Leong Online has been benchmarked to be the fastest Internet banking site in Malaysia and is among the top 3 most popular banking sites in terms of reach and page views.

“Hong Leong Bank holds the distinction of being the first Malaysian bank to enter the Chinese banking sector with a strategic investment.”

We are building new payment capabilities in cash management and e-Debit and we are serious to gear up and meet the challenges and seize the opportunities of a fast liberalising payments landscape in the country.

Expanding In Asia

We saw the maiden contribution of RM 99 million in equity-accounted pre-tax profit from our 20% shareholding in Bank of Chengdu Co., Ltd. (“Bank of Chengdu”), a leading city commercial bank in central and western China. Hong Leong Bank holds the distinction of being the first Malaysian bank to enter the Chinese banking sector with a strategic investment.

2008 Key Financial Ratios of Bank of Chengdu

PBT	RMB 1.2 bil
PAT	RMB 915 mil
Total Assets	RMB 72.5 bil
Gross Loans	RMB 40.4 bil
Customer Deposits	RMB 62.9 bil
Shareholder Funds	RMB 6.7 bil
ROA	1.5%
Loan to Deposit Ratio	64.3%
Net Interest Margin	4.1%
Gross NPL Ratio	3.5%
RWCR	16.8%
Net Asset Per Share	RMB 2.1

The financial year also saw us pursuant to our share subscription and strategic alliance agreements, embedding the positions of 2 Board directors including the position of Vice Chairman and Chair of the Board Risk Committee. We also made appointments to the roles of PFS Advisor, Credit Advisor, Finance and Asset-Liability Management Advisor, Risk and Business Re-engineering Project Manager, Data Analytics Manager and Programme Office Manager in Bank of Chengdu.

We rolled out agreed commitments under our 3-year Training and Expert Assistance as well as Technical Assistance programmes. During the financial year, we delivered and completed 870 man-days of training in the areas of management development, credit, PFS business, risk management, data analytics, audit and internal controls as well as E-Banking. We further delivered and completed more than 1200 man-days of expert and technical assistance across the functions of business re-engineering, finance and accounting, asset-liability management, customer

data management, consumer branch transformation, credit cards, credit, risk management, loan centralisation and recovery, IT and E-Banking.

"In July 2009, Hong Leong Bank Vietnam Limited ("HLBVN") was legally incorporated and greenfield business operations will commence in the last quarter of 2009."

Our regionalisation momentum further gained pace by becoming the first and only Malaysian and Southeast Asian Bank to incorporate a 100% foreign-owned, full-fledged commercial banking subsidiary in Vietnam. We are among a handful of only 5 foreign bank licensees to be accorded the distinction and trust to set up a subsidiary in this fast growing economy of 86 million



people. In July 2009, Hong Leong Bank Vietnam Limited ("HLBVN") was legally incorporated and greenfield business operations will commence in the last quarter of 2009. Our immediate goals are to enlarge our presence in Vietnam and build a locally embedded community bank. Apart from serving the domestic financial services needs of the local segments and communities in Vietnam, HLBVN will have a key role in intermediating the wealth, trade,

foreign exchange and investment flows between Vietnam and the rest of the region.

HLBVN is the first wholly-owned foreign bank subsidiary of any Asian bank. We are serious in building a local pool of talents across our footprint. Local talents are actively recruited into senior management and line positions, including the HLBVN's Management Trainee Programme.

Private Banking, Investment Banking and HL Markets (Treasury) are the core businesses out of HL Bank, our Singapore Branch. It is a recognised niche boutique investment bank in Singapore. The Singapore Branch had been the leading IPO bank for several years and is now stepping up to its next level of integrating the successes with Private Banking.

The Hong Kong Branch operates a Treasury and Wealth Management business model. The Hong Kong Branch in August 2008 became the first bank in Hong Kong to launch the first Islamic Banking Window in the territory. Hong Leong Bank with its branch in Hong Kong will facilitate the introduction of Islamic Wholesale and Investment Banking financial services in this market. The Hong Leong Bank HK Branch Islamic Banking Window will enable the

Bank to tap the West and North Asia regions and Mainland China markets.

The Bank's overseas operations now contribute just over 10% of the Bank's pre-tax profits, up from 6.5% last year.

"Central to our strategic conversations today are the imperatives of "future-proofing" the current business models and "right-risking" them."

The Next Stage

The pre- and post-crisis strategic postures are a tale of two cities. The previous posture is characterised by the scaling up of the business, refining our value propositions in each business, responding to competition and price war, building new capabilities and strengthening the risk and IT infrastructure as we sought to incrementally improve our market share and positioning.

The era upon us is more opportunistic in nature, with a rapidly changing eco-system and higher regulatory and prudential requirements. The shadow of the state on the sector globally is more pronounced.

It is important to look at the opportunities beyond the immediate crisis. Central to our strategic conversations today are the imperatives of "future-proofing" the current business models and "right-risking" them.

We will re-assert the liquidity franchise and continue to address the yield challenge. While economics of the business have changed, unlike other

countries, pricing and credit spreads did not adjust in tandem in the country. The quality of strategic asset-liability management, liquidity and capital management differentiates.

In the meantime, we must focus on re-asserting our core businesses with efficiency, unit cost management and making the most out of them through several levers, namely operating leverage, dynamic pricing as well as customer value or returns on each customer relationship. Cross-selling and customer service are key success factors.

"We are expanding our reach for market share with Branch optimisation as the bedrock of our next wave of Transformation."

We have to move more seriously into less elastic segments and put more emphasis on low capital intensity and annuity businesses such as wealth management, payments and transactions.

We are expanding our reach for market share with Branch optimisation as the bedrock of our next wave of Transformation. This will fundamentally change the way we organise ourselves, our businesses, our value propositions to the market and customers and our approach to relationship management. By pushing more entrepreneurialism and embedment to the Branches, we are bridging segment silos for a total base uplift and seek more organic growth from our embedded base. We will also re-inforce our payments and electronic banking strategy and footprint to improve customer stickiness and their interactions with us.

We are building new banks in new markets. We are helping to transform Bank of Chengdu into a market-oriented bank. We are building Hong Leong Bank Vietnam from greenfield operations to 21st Century Hong Leong standards where the business has prime capital value. We remain opportunistic on effective Asian-based M&A transactions that will transform the franchise.

"The quality of strategic asset-liability management, liquidity and capital management differentiates."

We believe by staying focused on these strategies, we are confident of building the pace and platform for Business Transformation, Phase 2.

To conclude, I would like to thank our customers, the Management team and fellow colleagues, shareholders, Board of Directors, Bank Negara Malaysia, the Ministry of Finance, as well as Government agencies and other authorities, for their continued support and confidence in the Group.

Yvonne Chia

**Group Managing Director/
Chief Executive**

16 September 2009

CORPORATE SOCIAL RESPONSIBILITY



Long before corporate social responsibility as a single concept was promulgated into guidelines for companies to follow, the Group was well on its journey. Corporate Social Responsibility (CSR) for the Hong Leong Group has always been more than just about community welfare. It is about having a sustainable business strategy in the face of global demands and challenges. It is also about conducting business with a conscience - caring for the community, the environment, the customers, employees and stakeholders.

Economic Sustainability

For many years now, the Group has had in place internally generated best practices to ensure the economic sustainability of all its companies. Some of these best practices are:

- An established Financial Management Discipline intended to drive excellence in financial management with the objective of preserving and enhancing

the quality of business as a going concern

- An established Enterprise Risk Management structure to ensure that a systematic process and delegation of responsibility is clearly set out to guide management. The Group sees Enterprise Risk Management as a serious consideration to protect the company from defaults that could fundamentally damage enterprise value
- A strict code of business conduct and ethics which the Group abides by in all types of transactions and interactions.
- Public communications, like financial reports contain disclosures that are fair, accurate, timely and understandable.
- In choosing its directors, the Group seeks individuals of high integrity, have shareholder orientation and a genuine interest in their respective company's

businesses. They are tasked with the responsibility of exercising their business judgment to act in what they reasonably believe to be in the best interest of the company and the shareholders they represent.

- The strict practice of responsible selling and marketing of products and services, in a global market that is increasingly becoming even more aggressive and competitive.

Social Sustainability

Employee Development and Welfare

The Hong Leong Group follows structured development programmes to help develop both technical and soft skills of employees.

The Group's Total Achievers' Group Programme, initiated in Fiscal Year 2007/2008, is a structured 10-month programme to develop managerial talents into future leaders of the Group. This programme currently involves

28 managers from the various Group companies.



The Group's Graduate Development Programme aims to identify and develop young graduates into engineering talents to support the growth of the Group. This programme entails classroom training, on-the-job familiarisation, learning assignments as well as mentoring.

For the non-executives, various in-house and external programmes were conducted to enhance their technical competencies as well as supervisory skills in order to develop a competent workforce.

'At Hong Leong Bank, people make the difference'

This has always been our principal belief. Each employee of the Bank is provided with the best tools and resources so that they can excel in their fields of choice.

The Bank is serious in growing and developing talents. Employees are exposed to both internally conducted as well as externally conducted talent development programmes such as the Management Associate Programme, the Financial Sector Talent Enrichment

Programme (FSTEP) and programmes from The International Centre for Education in Islamic Finance (INCEIF).

The Bank's Management Associate Program, which is designed for local fresh graduates, aims to develop each participant's potential as well as provide all with a wholesome view of the Bank. The participants undergo a year of training and exposure in various departments in the Bank to help them appreciate and have a firm grasp of the diversity of jobs in the Bank. Ultimately, this helps them determine where their talents and interests can be of most value. The Bank has also introduced the unique Hong Leong Bank Vietnam Management Trainee Programme for its new, greenfield subsidiary business in Vietnam.

Aside from these, the Bank also conducts trainings and various structured programs in wealth management, management and leadership, sales development and customer service which have significantly increased the job knowledge and skills of the Bank's workforce.

As the Bank is committed to customer centricity, we have also stepped up on our efforts in customer service upskilling and training programmes to meet the changing and increasing demands of our external customers. The Branch Service Manager and Branch Manager Development Programmes are the key programmes which also focus on leadership, soft skills and management.

For the Bank of Chengdu Co., Ltd., we delivered and completed 870 man-days of training in the areas of management development, credit, consumer banking business, risk management, data

analytics, audit and internal controls as well as E-Banking. We further delivered and completed more than 1200 man-days of expert and technical assistance across the functions of business re-engineering, finance and accounting, asset-liability management, customer data management, consumer branch transformation, credit cards, credit, risk management, loan centralisation and recovery, IT and E-Banking.

Customer Service

'Building relationships and adding value by providing clarity in financial decisions'

Because customers' needs, wants and lifestyles change, the Bank has to continuously provide innovative products and services. We are about building relationships and helping more and more customers with their financial needs.

This year, the Bank achieved the ISO 9001:2000 Quality Management System certification for another 30 branches in Kuala Lumpur which brings the total number of branches with this certification to 65 branches. This additional certification is testimony to the Bank's commitment to achieving total customer satisfaction. The newly acquired certification calls for the implementation and maintenance of a Quality Management System, which promotes consistent customer service delivery and continual improvement in branch counter services.

The Bank is also enhancing its customer touch points and distribution footprint, from branches to electronic channels. A new capability, Customer Experience Management (CEM), has been established by the Bank to manage the experiences of customers

through a unified approach along with the execution of standardized and systematic processes.

Diversity and Inclusion

With a total workforce of 30,000 and spread across North and Southeast Asia, Western Europe and the UK, North America and Oceania, the Hong Leong Group develops talent regardless of race, gender or religious belief. Staff advancement is based on merit and we believe that it is this variety of persuasions and culture that fuel creativity, entrepreneurship and openness.

The Group also actively promotes work-life balance through various sports, family, social events initiatives. In this regard, various initiatives such as sports activities, social events and family day, were carried out with the full support and commitment of the employees throughout the financial year.

Environmental Preservation

As part of our commitment to our employees and to society as a whole, we practise environmental preservation and maintain high standards of Occupational Society and Health management practices. Environmental management programmes such as recycling campaigns, air pollution controls and waste management programmes are continuously deployed to achieve the Group's objectives.

In addition, we conduct regular occupational safety and awareness programmes for our employees and participate in road safety campaigns during festive seasons to promote civic consciousness and safe driving habits in our community.



Earth Hour, a global event where households and businesses are encouraged to turn off non-essential lights and other electrical appliances for one hour to raise awareness towards the need to take action on climate change, was observed by the Group. Hong Leong Bank, through the Hong Leong Group, supported Earth Hour 2009 by switching off non-essential lights at 35 Bank branches on 28 March 2009 from 8.30pm-9.30pm. Hong Leong Bank staff were also notified to do their part on a personal level.

Organised by the World Wildlife Fund, Earth Hour was conceived in Sydney in 2007. Since then, many other cities around the world adopted the event in 2008, and is now held on the last Saturday of March annually. By doing its part, the Group supported this global effort to help make a difference.

Community Investment

The Group conducts most of its philanthropic activities through Hong Leong Foundation, the charitable arm of the Group. Since its incorporation in 1992, the Foundation's programmes have been funded by the Group companies' contributions. The Foundation focuses on education and community welfare as its key thrusts and responds to appeals for aid of victims

of natural disasters such as floods, tsunamis and others. Among its focus areas, education in particular, takes top priority.

Scholarship

The Foundation has, as part of its donation framework, designed a Scholarship Programme to benefit Malaysian students from low-income families. The Foundation believes that providing scholarships is about providing opportunities — giving deserving students the chance to have the higher education necessary to become tomorrow's leaders.

Over one million Ringgit is allocated each year for scholarship grants for the public for diploma and undergraduate studies at local universities and selected institutions of higher learning. Invitations are also extended to the scholars for industrial training at Group companies to help ensure that scholars graduate into the workforce with sufficient knowledge and relevant experience.

Apart from these, a separate fund is set aside for scholarship grants for deserving children of Group staff. Both grants for the public and Group staff's children are unconditional.



Student Assistance

Although primary and secondary education in Malaysia is free, there are still a number of students from low-income families who find it a challenge to avail of this educational opportunity. To address the immediate needs of these students, the Foundation reaches out to them through the Student Assistance Programme. To date, through this Programme, the Foundation has donated school bags, books, uniforms, bicycles and others to thousands of school children nationwide.

School Building Fund

The Foundation actively pursues opportunities where it can play a part in improving the quality of education in the country today. Donations for the construction of bigger and better facilities for learning institutions help create an environment in which students can excel. Towards this end, the Foundation has made substantial donations to various academic and vocational training institutions nationwide with thousands of students benefiting from the improved and/or added facilities.

Towards this, the Foundation has made substantial donations to SJKC Phei Shin, Penang, SJKC Ying Wah, Kapar, Klang and Montfort Boys Town, Shah Alam.

Community Welfare

Every year, the Foundation donates to selected charities nationwide in an effort to help improve the lives of the less fortunate through its Community Welfare Programme. Through cash donations, charities are able to ensure their survival and their ability to provide shelter, food and clothing for all its residents — the young orphans, the aged who have been abandoned by their families, the sick, the disabled and the mentally challenged.

The Foundation has made substantial donations to many charities over the years. In this fiscal year alone, to name a few, United Voice, P.S.The Children, Kiwanis Down Syndrome Foundation Kuantan, Yayasan Orang-Orang Kurang Upaya Kelantan, Penang Shan Children's Home Association, The National Autism Society of Malaysia, Rumah Kebajikan Kanak-Kanak Cacat Negeri Perak, The Salvation Army, Persatuan Perkhidmatan Komuniti Taiping, Pusat Jagaan Diamond Home, Hospis Malaysia, Pusat Haemodialisis Mawar, Yayasan Tunku Nurul Hayati, Touch Community Society Seremban, Montfort Youth Centre, Pertubuhan Perkhidmatan Intervensi Awal Batu Pahat, CHK Moral Uplifting Society Kidney Foundation, Kuching Autistic Association, Sarawak Thalassaemia Society, Mental Health Association of Sarawak Kuching Branch,

Sarawak Society for Parents of Children with Special Needs, Association for Children with Special Needs Sibu, Miri Red Crescent Dialysis Centre, Seri Mengasih Centre and Sabah Cheshire Home (Sandakan Branch).

Small Enterprise Programme

The people behind the Group are at core entrepreneurs and we seek to propagate this same spirit of entrepreneurship to the community. By expanding our contribution to the community to include this new category, through our dealings with various charities on programs designed to help the underprivileged set up their own businesses, we are able to teach people to stand on their own two feet, eventually breaking the cycle of poverty. Over the short term, those whom we help by giving seed money for businesses will be able to generate enough income to be able to provide for their families' needs. Over time, with proper management and guidance these businesses will grow and, in turn, be able to help others.

Towards this end, we are working with various NGOs, among which are Yayasan Salam Malaysia, United Voice, Malaysian Aids Council, Shelter Home for Children, Rose Virginie Good Shepherd Centre and Persatuan Kanak Kanak Isatimewa Kajang, Selangor.

Apart from activities carried out by the Foundation, Group companies have staged their own activities in numerous communities nationwide. The Group's employees have regularly participated in community services that include visits to orphanages and welfare homes, assist in the provision of medical services to poor communities through blood donation drives and volunteer work in hospitals as well as initiating and participating in projects involving environmental and social issues.

CORPORATE INFORMATION



DIRECTORS

YBhg Tan Sri Quek Leng Chan
Chairman

Ms Yvonne Chia
Group Managing Director/Chief Executive

Encik Zulkiflee Bin Hashim
Executive Director

Mr Chew Peng Cheng

Mr Kwek Leng Hai

Mr Kwek Leng Seng

YBhg Datuk Dr Hussein Awang

Mr Tan Keok Yin

YBhg Dato' Mohamed Nazim Bin Abdul Razak

Mr Choong Yee How

Mr Quek Kon Sean

SECRETARY

Ms Christine Moh Suat Moi
MAICSA No: 7005095

AUDITORS

Messrs PricewaterhouseCoopers
Chartered Accountants
Level 10, 1 Sentral
Jalan Travers
Kuala Lumpur Sentral
50706 Kuala Lumpur

Tel : 03-2173 1188

Fax : 03-2173 1288

REGISTRAR

Hong Leong Share Registration Services Sdn Bhd
Level 5, Wisma Hong Leong
18 Jalan Perak, 50450 Kuala Lumpur

Tel : 03-2164 1818

Fax : 03-2164 3703

REGISTERED OFFICE

Level 8, Wisma Hong Leong
18 Jalan Perak, 50450 Kuala Lumpur

Tel : 03-2164 8228

Fax : 03-2164 2503

WEBSITE

www.hlb.com.my

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixty-eighth Annual General Meeting of Hong Leong Bank Berhad (“Bank”) will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 27 October 2009 at 11.00 a.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the year ended 30 June 2009.
2. To declare a final dividend of 15 sen per share less income tax of 25% for the financial year ended 30 June 2009 as recommended by the Board of Directors of the Bank. **(Resolution 1)**
3. To approve the payment of Directors’ fees of RM560,000 for the year ended 30 June 2009 (2008: RM520,000), to be divided amongst the Directors in such manner as the Directors may determine. **(Resolution 2)**
4. To re-elect the following retiring Directors:-
 - (a) Mr Chew Peng Cheng **(Resolution 3)**
 - (b) Ms Yvonne Chia **(Resolution 4)**
 - (c) YBhg Dato’ Mohamed Nazim bin Abdul Razak. **(Resolution 5)**
5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Bank and authorise the Directors to fix their remuneration. **(Resolution 6)**

SPECIAL BUSINESS

As a special business, to consider and, if thought fit, pass the following motions as Ordinary Resolutions:-

6. Authority To Directors To Issue Shares

“ **THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Bank, at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued capital of the Bank for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Bank.” **(Resolution 7)**

7. Proposed Shareholders’ Mandate on Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad (“HLCM”) and Persons Connected with HLCM

“ **THAT** approval be and is hereby given for the Bank and/or its subsidiaries to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(A) and (B) of the Bank’s Circular to Shareholders dated 5 October 2009 (“the Circular”) with HLCM

and persons connected with HLCM, as set out in Appendix II of the Circular provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to the related party than those generally available to and/or from the public and are not, in the Bank's opinion, detrimental to the minority shareholders; AND THAT the Directors of the Bank be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution.

AND THAT such approval shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Bank at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (b) the expiration of the period within which the next AGM of the Bank after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting, whichever is the earlier." **(Resolution 8)**

8. Proposed Shareholders' Mandate on Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Investment Holdings Pte Ltd ("HLIH") and Persons Connected with HLIH

" THAT approval be and is hereby given for the Bank and/or its subsidiaries to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(C) of the Bank's Circular to Shareholders dated 5 October 2009 ("the Circular") with HLIH and persons connected with HLIH, as set out in Section 2.2 of the Circular provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to the related party than those generally available to and/or from the public and are not, in the Bank's opinion, detrimental to the minority shareholders; AND THAT the Directors of the Bank be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution.

AND THAT such approval shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Bank at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (b) the expiration of the period within which the next AGM of the Bank after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting, whichever is the earlier." **(Resolution 9)**

9. **Proposed Renewal Of The Authority For The Purchase Of Own Shares By The Bank**

“ THAT subject to the Companies Act, 1965 (the “Act”), rules, regulations and orders made pursuant to the Act, provisions of the Bank’s Memorandum and Articles of Association and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Main Market Listing Requirements”) and any other relevant authority, the Directors of the Bank be and are hereby authorised to make purchases of ordinary shares of RM1.00 each in the Bank’s issued and paid-up share capital on Bursa Securities subject further to the following:-

- (a) the maximum number of shares which may be purchased and/or held by the Bank shall be equivalent to ten per centum (10%) of the issued and paid-up share capital of the Bank (“Shares”) for the time being;
- (b) the maximum fund to be allocated by the Bank for the purpose of purchasing the Shares shall not exceed the retained profits and/or the share premium account of the Bank. As of 30 June 2009, the audited retained profits and share premium of the Bank were RM2,136.1 million and RM539.7 million respectively; and
- (c) the authority conferred by the resolution as set out in paragraphs (a) and (b) above will commence immediately upon passing of this ordinary resolution and will expire at the conclusion of the next Annual General Meeting (“AGM”) of the Bank, unless earlier revoked or varied by ordinary resolution of the shareholders of the Bank in a general meeting or the expiration of the period within which the next AGM after that date is required by law to be held, whichever occurs first and, in any event, in accordance with the provisions of the Main Market Listing Requirements or any other relevant authority;

AND THAT the Directors of the Bank be and are hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase(s) of the Shares;

AND the Directors of the Bank be and are hereby authorised to deal with any Shares so purchased and any existing treasury shares (“the Said Shares”) in the following manner:-

- (i) cancel the Said Shares;
- (ii) retain the Said Shares as treasury shares;
- (iii) retain part of the Said Shares as treasury shares and cancel the remainder;
- (iv) distribute all or part of the Said Shares as dividends to shareholders, and/or resell on Bursa Securities and/or cancel all or part of them,

or in any other manner as may be prescribed by the Act, rules, regulations and orders made pursuant to the Act and the Main Market Listing Requirements and any other relevant authority for the time being in force **AND THAT** the authority to deal with the Said Shares shall continue to be valid until all the Said Shares have been dealt with by the Directors of the Bank.”

(Resolution 10)

10. To consider any other business of which due notice shall have been given.

FURTHER NOTICE IS HEREBY GIVEN that a depositor shall qualify for entitlement to the final dividend only in respect of :

- (a) shares transferred into the depositor's securities account before 4.00 p.m. on 3 November 2009 in respect of ordinary transfers; and
- (b) shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

CHRISTINE MOH SUAT MOI (MAICSA No. 7005095)

Secretary

Kuala Lumpur
5 October 2009

NOTES:

- 1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy may but need not be a member of the Bank and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Bank. A member who is an authorised nominee may appoint not more than two proxies in respect of each securities account it holds.
- 2. The Form of Proxy must be deposited at the Registered Office of the Bank at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.

SPECIAL BUSINESS

3. **Ordinary Resolution 7 On Authority To Directors To Issue Shares**

The proposed Ordinary Resolution, if passed, will give a renewed mandate to the Directors of the Bank to issue ordinary shares of the Bank from time to time provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued capital of the Bank for the time being ("Renewed Mandate"). The Renewed Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Bank.

As at the date of this Notice, no new shares in the Bank were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 29 October 2008 and which will lapse at the conclusion of the Sixty-Eighth Annual General Meeting.

The Renewed Mandate will enable the Directors to take swift action in case of a need for corporate exercises or in the event business opportunities arise which involve the issue of new shares and to avoid delay and cost in convening general meetings to approve such issue of shares.

4. **Ordinary Resolutions 8 & 9 On Recurrent Related Party Transactions Of A Revenue Or Trading Nature**

The proposed Ordinary Resolutions, if passed, will empower the Bank and/or its subsidiaries (“HLB Group”) to enter into recurrent related party transactions of a revenue or trading nature which are necessary for HLB Group’s day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to the public and are not, in the Bank’s opinion, detrimental to the minority shareholders of the Bank.

Detailed information on the Proposed Shareholders’ Mandate is set out in the Circular to Shareholders dated 5 October 2009 which is dispatched together with the Bank’s 2009 Annual Report.

5. **Ordinary Resolution 10 On Proposed Renewal Of The Authority For The Purchase Of Own Shares By The Bank**

The proposed Ordinary Resolution, if passed, will empower the Directors to exercise the power of the Bank to purchase its own shares (“Proposed Share Buy Back”) by utilising its financial resources not immediately required. The Proposed Share Buy Back may have a positive impact on the market price of the Bank’s shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Bank.

Please refer to the Share Buy-Back Statement dated 5 October 2009 which is dispatched together with the Bank’s 2009 Annual Report for further information.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements)

- **Details of individuals who are standing for election as Directors**

No individual is seeking election as a Director at the forthcoming Sixty-eighth Annual General Meeting of the Bank.

DIRECTORS' PROFILE

YBHG TAN SRI QUEK LENG CHAN

Chairman/ Non-Independent

Aged 66, Tan Sri Quek Leng Chan, a Malaysian, qualified as a Barrister-at-Law from Middle Temple, United Kingdom. He has extensive business experience in various business sectors, including financial services, manufacturing and real estate.

Tan Sri Quek is the Chairman of Hong Leong Bank Berhad ("HLB") and was appointed to the Board of Directors ("Board") of HLB on 3 January 1994. He is the Chairman of the Board Credit Supervisory Committee ("BCSC") and a member of the Executive Committee, Remuneration Committee and Nominating Committee of HLB.

He is the Chairman & Chief Executive Officer of Hong Leong Company (Malaysia) Berhad, Executive Chairman of Hong Leong Industries Berhad, GuocoLand (Malaysia) Berhad, Hume Industries (Malaysia) Berhad and Narra Industries Berhad and Chairman of Hong Leong Financial Group Berhad ("HLFG"), HLG Capital Berhad ("HLGC"), companies listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), Hong Leong Islamic Bank Berhad ("HLISB"), Hong Leong Assurance Berhad ("HLA") and Hong Leong Foundation, all public companies.

Tan Sri Quek attended all the ten Board Meetings of HLB held during the financial year ended 30 June 2009.

MS YVONNE CHIA

Group Managing Director/ Chief Executive/ Non-Independent

Aged 56, Ms Yvonne Chia, a Malaysian, holds a Bachelor of Economics (Second Class Upper Honours) from the University of Malaya. An international banker, Ms Chia started her career with the Bank of America and held various positions in Hong Kong, Manila and Kuala Lumpur between 1976 to 1993; the last position being Vice-President and Country Head of Marketing. In March 1994, Ms Chia joined RHB Bank Berhad as General Manager and went on to become Chief Executive Officer/Managing Director of RHB Bank Berhad, a position she held until March 2002. Ms Chia was made a Fellow of Institute of Bankers Malaysia in April 2002 and also a Certified Risk Professional (CRP) with BAI. In August 2005, Ms Chia was appointed to Wharton Fellows of the University of Pennsylvania.

Ms Chia was appointed an Executive Director of Hong Leong Bank Berhad ("HLB") on 17 March 2003 and had been re-designated as Group Managing Director/Chief Executive of HLB on 10 November 2003. Ms Chia is also a member of the Executive Committee of Directors and BCSC of HLB.

Ms Chia attended all the ten Board Meetings of HLB held during the financial year ended 30 June 2009.

Ms Chia is a Director of HLFG, a company listed on the Main Market of Bursa Securities. Ms Chia is also a Director of Cagamas Holdings Berhad, HLISB and Hong Leong Tokio Marine Takaful Berhad ("HLTMT"), all public companies.

ENCIK ZULKIFLEE HASHIM**Executive Director/
Non-Independent**

Aged 50, Encik Zulkiflee Hashim, a Malaysian, holds a Diploma in Credit Management. He started his career in the banking sector with Citibank NA and was its Vice President in 1990. From December 1991 to 1997, Encik Zulkiflee was with Deutsche Bank Malaysia and was its Deputy Managing Director responsible for Corporate Banking, International Trade Finance, Operations and Transaction Banking Services Department. Encik Zulkiflee was appointed Executive Director of HLB on 30 July 1998 and is also a member of the Executive Committee and BCSC of HLB.

Encik Zulkiflee is also a Director of HLF Credit (Perak) Berhad, a public company. Encik Zulkiflee attended all the ten Board Meetings of HLB held during the financial year ended 30 June 2009.

MR CHEW PENG CHENG**Non-Executive
Director/
Independent**

Aged 68, Mr Chew Peng Cheng, a Malaysian, qualified as a Barrister-at-Law from Inner Temple, London. Mr Chew started his working career by joining the civil service and served in the Sarawak State Attorney-General's Chambers in Kuching as a Deputy Public Prosecutor from 1964 to 1965. Thereafter, Mr Chew commenced private practice as an advocate in the chambers of Messrs Battenberg & Talma in Sibu from 1965 to 1974. In 1966 Mr Chew joined Wah Tat Bank Berhad (now known as WTB Corporation Sdn Bhd ("WTB")) as a Director/Secretary and in 1975 was promoted to the helm as Managing Director/Chief Executive Director. Upon the completion of the merger between WTB and HLB, Mr Chew resigned from WTB and joined HLB as an Executive Director on 13 June 2001. On the completion of his employment contract with HLB, Mr Chew assumed the position of Non-Executive Director of HLB. Mr Chew currently holds directorship position in various other family-related private limited companies.

Mr Chew is also a member of the Remuneration Committee and Nominating Committee of HLB.

Mr Chew attended all the ten Board Meetings of HLB held during the financial year ended 30 June 2009.

MR KWEK LENG HAI

Non-Executive Director/ Non-Independent

Aged 56, Mr Kwek Leng Hai, a Singaporean, qualified as a chartered accountant and has extensive experience in financial services, manufacturing and property investment. Mr Kwek is the President and Chief Executive Officer of Guoco Group Limited ("GGL"), a company listed in Hong Kong and has been an Executive Director of GGL since 1990. Mr Kwek is also a director of GGL's key subsidiaries including GuocoLand Limited and GuocoLeisure Limited, both public listed companies in Singapore. He is also a director of Bank of Chengdu Co., Ltd.

Mr Kwek was appointed to the Board of HLB on 3 January 1994. He is also a Director of HLISB and Hong Leong Company (Malaysia) Berhad, both public companies.

Mr Kwek attended all the ten Board Meetings of HLB held during the financial year ended 30 June 2009.

MR KWEK LENG SENG

Non-Executive Director/ Non-Independent

Aged 51, Mr Kwek Leng Seng, a Singaporean, holds an Honours Degree in Law from the University of Buckingham, London. Mr Kwek was formerly the Group Managing Director of GuocoLand (Malaysia) Berhad, a position he held from end 1995 to October 2007. He was the Chairman of GLM Reit Management Sdn Bhd, the Manager of Tower Real Estate Investment Trust which was listed on the Main Board of Bursa Malaysia Securities Berhad from April 2006 to October 2007. Mr Kwek joined Hong Leong Group Malaysia in 1987 as the Claims Manager and Director of Hong Leong Assurance Berhad. Between 1990 to mid 1994, Mr Kwek assumed directorship and managerial positions in various subsidiaries of GuocoLand (Malaysia) Berhad. In mid 1994, Mr Kwek became the Managing Director of HLG Securities Sdn Bhd and held the position until October 1995.

Mr Kwek was appointed to the Board of HLB on 3 January 1994 and is a member of the Nominating Committee of HLB.

Mr Kwek attended nine out of the ten Board Meetings of HLB held during the financial year ended 30 June 2009.

YBHG DATUK DR HUSSEIN AWANG

Non-Executive Director/ Independent

Aged 69, YBhg Datuk Dr Hussein Awang, a Malaysian, obtained a Bachelor of Medicine and Bachelor of Surgery Degree from the University of Melbourne in 1964. YBhg Datuk was made a Fellow of the Royal Australasian College of Surgeons in 1972. YBhg Datuk is presently the Consultant Urological Surgeon at Tawakal Specialist Centre, Kuala Lumpur, a position he had held since May 1984. YBhg Datuk was the Senior Consultant Urological Surgeon and Head of Department of Urology, General Hospital, Kuala Lumpur from 1976 to May 1984. YBhg Datuk was also Honorary Professor of Surgery (Urology), Department of Surgery, University Kebangsaan Malaysia, Kuala Lumpur from 1978 to May 1984. YBhg Datuk is a Foundation Fellow of the Academy of Science Malaysia.

YBhg Datuk was appointed to the Board of HLB on 18 August 1994 and is the Chairman of Board Risk Management Committee and a member of Board Audit Committee. YBhg Datuk is also the Chairman of the Nominating Committee of HLB.

His directorships in other public companies include KPJ Healthcare Bhd, a company listed on the Main Market of Bursa Securities, HLISB, HLA and Hong Leong Foundation. He was also appointed to the Board of Lembaga Kumpulan Wang Simpanan Pekerja on 1 June 2009.

YBhg Datuk attended nine out of ten Board Meetings of HLB held during the financial year ended 30 June 2009.

MR TAN KEOK YIN

Non-Executive Director/ Independent

Aged 65, Mr Tan Keok Yin, a Malaysian, graduated with a Bachelor of Arts (Honours) degree in Economics from the University of Malaya in 1966. He also completed a in Management Program at UC, Berkeley in 1984 and a Program in International Boards and Directors at the Swedish Academy of Directors, Stockholm in 1995. He started his career with Bank Negara Malaysia ("BNM") in 1966 and served in various capacities in the Economics, Investments Departments and the Penang Branch of BNM. In 1977, he joined the Federation of Malaysian Manufacturers ("FMM") as Deputy Director and was appointed Chief Executive Officer in 1981 till 1999. He served on various Government Boards and Committees and participated actively as speaker and panelist at the World Economic Forum, ASEAN Economic Cooperation meetings and other international business forums. He was also a Management Board member of GS1 (One Global System) located in Brussels, an international body that develops and promotes the GS1 standards of article numbering, bar coding and electronic communication worldwide. Currently, Mr Tan serves as a member of Steering Committee of the Financial Institutions Directors' Education Programme chaired by the Deputy Governor, BNM, aimed at strengthening the skills and performance of Directors in corporate governance.

Mr Tan was appointed to the Board of HLB on 26 August 1994. He is the Chairman of the Board Audit Committee and Remuneration Committee of HLB and is a member of the Board Risk Management Committee and Nominating Committee of HLB.

Mr Tan is also a Director of Malaysian Pacific Industries Berhad and GuocoLand (Malaysia) Berhad, companies listed on the Main Market of Bursa Securities and HLA, a public company.

Mr Tan attended all the ten Board Meetings of HLB held during the financial year ended 30 June 2009.

YBHG DATO' MOHAMED NAZIM BIN ABDUL RAZAK

Non-Executive Director/ Independent

Aged 47, YBhg Dato' Mohamed Nazim Bin Abdul Razak, a Malaysian, an architect by profession, graduated from the Architectural Association, School of Architecture, London. YBhg Dato' served with YRM Architecture in London, a multi-disciplinary building design consultancy and has more than 16 years experience in the architectural field, 13 of which were in Kuala Lumpur. Besides being the Managing Director of NR Associates Sdn Bhd, YBhg Dato' is also the Chairman of Bandar Tasik Semenyih Sdn Bhd, a property developer in the Klang Valley.

YBhg Dato' was appointed to the Board of HLB on 30 June 2003 and is a member of Board Audit Committee of HLB.

YBhg Dato' attended nine out of the ten Board Meetings of HLB held during the financial year ended 30 June 2009.

YBhg Dato' is also a Director of HLGC, a company listed on the Main Market of Bursa Securities, ING Insurance Berhad and HLISB, both public companies.

MR CHOONG YEE HOW

Non-Executive Director/ Non-Independent

Aged 53, Mr Choong Yee How, a Malaysian, obtained a Bachelor of Science in Biochemistry (Honours) degree in 1979 and a Master of Business Administration in 1981 from the University of Otago, New Zealand. Mr Choong has over 25 years of experience in banking, of which 23 were with Citibank in Malaysia. Mr Choong started his career with Citibank Malaysia as a Management Associate and was promoted to assume various senior positions within the Citibank Group; the last being President and Chief Executive Officer of Citibank Savings Inc, Philippines. Mr Choong is currently the President & Chief Executive Officer of HLFG.

Mr Choong was appointed to the Board of HLB on 9 March 2006 and is a member of the BCSC and Board Risk Management Committee of HLB.

Mr Choong attended all the ten Board Meetings of HLB held during the financial year ended 30 June 2009.

Mr Choong is also a Director of HLFG and HLGC, companies listed on the Main Market of Bursa Securities, HLA, HLISB, HLTMT and Hong Leong Investment Bank Berhad (formerly known as HLG Credit Berhad), all public companies.

MR QUEK KON SEAN

Non-Executive Director/ Non-Independent

Aged 29, Mr Quek Kon Sean, a Malaysian, obtained Bachelor of Science and Master of Science degree in Economics from the London School of Economics and Political Science. In 2002, he joined Goldman Sachs International, London as an Analyst in the Investment Banking Division and in 2003 he joined HSBC, London in Debt Capital Markets. Mr Quek is currently the Executive Director of HLFGL. Prior to joining HLFGL, Mr Quek was the Management Executive of HL Management Co Sdn Bhd.

Mr Quek was appointed to the Board of HLB on 10 July 2006.

Mr Quek attended all the ten Board Meetings of HLB held during the financial year ended 30 June 2009.

Mr Quek is also a Director of HLFGL and HLGCL, companies listed on the Main Market of Bursa Securities and HLA, a public company.

Notes:

1. Family Relationship with Director and/or Major Shareholder

Tan Sri Quek Leng Chan, Mr Kwek Leng Hai, Mr Kwek Leng Seng and Mr Quek Leng Chye, a deemed major shareholder of HLB, are brothers. Tan Sri Quek Leng Chan is the father of Mr Quek Kon Sean. Save as disclosed herein, none of the Directors has any family relationship with any other director and/or major shareholder of HLB.

2. Conflict of Interest

None of the Directors has any conflict of interest with HLB.

3. Conviction of Offences

None of the Directors has been convicted of any offences in the past 10 years.

BOARD AUDIT COMMITTEE REPORT

CONSTITUTION

The Board Audit Committee of Hong Leong Bank Berhad (“HLB” or “the Bank”) has been established since 18 August 1994 and was re-designated as the Board Audit & Risk Management Committee (“BARMC”) on 10 January 2002. Subsequently, on October 2, 2006, the Board of Directors decided to reconstitute the Board Audit Committee (“BAC”) separately from the Board Risk Management Committee (“BRMC”).

COMPOSITION

Mr Tan Keok Yin

(Chairman, Independent Non-Executive Director)

YBhg Datuk Dr Hussein Awang

(Independent Non-Executive Director)

YBhg Dato’ Mohamed Nazim Bin Abdul Razak

(Independent Non-Executive Director)

SECRETARY

The Secretary to the BAC is the Group Chief Internal Auditor.

TERMS OF REFERENCE (“TOR”)

- To nominate and recommend for the approval of the Board of Directors (“Board”), a person or persons as external auditor(s).
- To review the external audit fees.
- To review, with the external auditors, the audit plan.
- To review, with the external auditors, the audit report and audit findings and the management’s response thereto.
- To consider the provision of non-audit services by the external auditors.
- To review the assistance given by the officers of HLB and its subsidiaries (“Group”) to the external auditors.
- To review the quarterly reports and annual financial statements of the Bank and of the Group prior to the approval by the Board.
- To review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit division.
- To review the report and findings of the internal audit division including any findings of internal investigations and the management’s response thereto.
- To review the adequacy and effectiveness of internal controls and risk management.
- To review any related party transactions that may arise within the Bank or the Group.
- To approve any credit transactions and exposure with connected parties.
- To decide on the appointment, remuneration, appraisal, transfer and dismissal of the Group Chief Internal Auditor (“GCIA”) as per Bank Negara Malaysia GP10.
- Other functions as may be agreed to by the BAC and the Board.

AUTHORITY

The BAC is authorised by the Board to review any activity of the Group within its TOR. It is authorised to seek any information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the BAC.

The BAC is authorised by the Board to obtain independent legal or other professional advice if it considers necessary.

MEETINGS

The BAC meets at least nine (9) times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such quarterly reports and annual financial statements being presented to the Board for approval.

The Group Financial Controller, Head of Integrated Risk Management & Compliance (IRMC) Division and external auditors are invited to attend the BAC meetings whenever required. At least twice a year, the BAC will have a separate session with the external auditors without the presence of Executive Directors.

Two (2) members of the BAC, who shall be independent and non-executive, shall constitute a quorum.

After each meeting, the BAC shall report and update the Board on significant issues and concerns discussed during the BAC meetings and where appropriate, make the necessary recommendations to the Board.

ACTIVITIES

The BAC carried out its duties in accordance with its TOR.

The BAC met nine (9) times during the financial year ended 30 June 2009. Mr Tan Keok Yin and YBhg Datuk Dr Hussein Awang attended all the meetings held during the financial year, while YBhg Dato' Mohamed Nazim Bin Abdul Razak attended six (6) meetings. The Committee also had two (2) separate sessions with the external auditors without the presence of executive directors and management.

The BAC reviewed the quarterly reports and annual financial statements of the Group. The BAC met with the external auditors during the Financial Year and discussed the nature and scope of the audit, significant changes in accounting and auditing issues, the management letter and management's response, pertinent issues which had significant impact on the results of the Group and applicable accounting and auditing standards. The BAC also reviewed the internal auditor's audit findings and recommendations, Bank Negara Malaysia's Examination Reports on the Bank Group, Monetary Authority of Singapore's Examination Reports on HLB Singapore Branch and Hong Kong Monetary Authority's Examination Reports on HLB Hong Kong Branch.

In addition, the BAC reviewed the adequacy and integrity of internal control systems, including risk management and relevant management information system. It also reviewed the processes put in place to identify, evaluate and manage the significant risks encountered by the Group.

In preparation for compliance with the Basel II accord, the BAC reviewed with management and external consultants the various reports and actions to be taken by the Bank.

The BAC reviewed various related party transactions carried out by the Group and also approved credit transactions and exposure with connected parties.

ACTIVITIES (continued)

The BAC also reviewed and approved the remuneration of the GCIA and staff of the Group Internal Audit Division in HLB.

GROUP INTERNAL AUDIT DIVISION (GIAD)

The GIAD of HLB assists the BAC in the discharge of its duties and responsibilities. The GIAD employs a risk-based assessment approach in auditing the Bank's Group business and operational activities. The high risk activities are given due attention and audited on a more regular basis while the rest are prioritised accordingly to the potential risk exposure and impact.

During the financial year ended 30 June 2009, the GIAD carried out its duties covering audit on operations, information technology system, credit, head office, branches, loan centre, business centre, mortgage sales centre, hire purchase centre, investigation and other assignments as directed. These audits are performed in line with the BNM guidelines under GP 10 and GPIS.

The GIAD participated in an advisory or consulting role in a number of products and projects reviews, which included Basel II. GIAD also worked closely with IRMC to review, evaluate and improve the risk management framework and its effective deployment.

GIAD is one of the divisions of HLB. Besides performing internal audit functions to the Bank Group, it also through a service agreement, provides internal audit services to HLG Capital Berhad (HLGC), Hong Leong Assurance (HLA) and HL Fund Management Sdn Bhd (HLFM). The cost incurred for the Internal Audit function of the Bank Group in respect of the financial year ended 30 June 2009 was RM4.663 million.

This Board Audit Committee Report is made in accordance with the resolution of the Board of Directors.

BOARD RISK MANAGEMENT COMMITTEE REPORT

CONSTITUTION

The Board Audit & Risk Management Committee of Hong Leong Bank Berhad (“HLB” or “the Bank”) has been established since 10 January 2002 and was re-grouped as the Board Risk Management Committee (“BRMC”) on 2 Oct 2006.

COMPOSITION

YBHG DATUK DR HUSSEIN AWANG

(Chairman, Independent Non-Executive Director)

MR TAN KEOK YIN

(Independent Non-Executive Director)

MR CHOONG YEE HOW

(Non-Independent Non-Executive Director)

SECRETARY

The Secretary to the BRMC is the Head of Integrated Risk Management & Compliance (“IRMC”) Division of HLB.

TERMS OF REFERENCE

Risk Management

- To oversee senior management’s activities in managing credit, market, liquidity, operational, and IT risks and to ensure that the risk management process is in place and functioning which will include risks from the Bank and overseas branches, and subsidiaries of the Bank (“the Group”).
- To review and approve all significant risk related policies and framework from all majority owned subsidiaries of the Bank to ensure alignment to the Group’s risk management appetite, framework and policies.
- To review and report to the Board measures taken to:
 - (a) Identify and examine principal risks faced by the Group; and
 - (b) Implement appropriate systems and internal controls to manage these risks.
- To oversee and monitor implementation of the Integrated Risk Management framework and activities adopted by the Group.
- To review, recommend and/or endorse major risk management strategies, policies and risk tolerance for Board’s approval.
- To review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively.
- To ensure infrastructure, resources and systems are in place for risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Group’s risk taking activities.
- Reviewing periodic reports on risk exposure, risk portfolio composition and risk management activities.
- Other risk management functions as may be agreed to by the BRMC and the Board.

TERMS OF REFERENCE (continued)*Compliance*

- Oversight of the Group's compliance activities and ensuring the Group is in compliance to all established policies, guidelines and external regulations.
- To review and assess adequacy of compliance policies and framework and ensuring that they are operating effectively.
- To review all non-compliance incidences and recommend corrective actions where necessary.
- To review and consider the impact of new laws, regulations, guidelines affecting the Group's operations and ensuring adequate resources committed and realistic action plans are carried out within the stipulated deadline set.
- Other compliance functions as may be agreed to by the BRMC and the Board.

AUTHORITY

The BRMC is authorised by the Board to review any activity of the Group within its TOR. It is authorised to seek any information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the BRMC.

The BRMC is authorised by the Board to obtain risk management professional advice if it considers necessary.

MEETINGS

The BRMC meets at least six (6) times a year and additional meetings may be called at any time as and when necessary.

There shall be in attendance at the meeting of the Committee by invitation, the Group Managing Director and such other persons as deemed necessary by the Committee, which may include:

- Executive Director/COO-Operations
- Group Financial Controller
- Group Chief Internal Auditor
- Chief Credit Officer – Wholesale Credit
- Chief Credit Officer – Consumer Credit, and/or
- GM, Branch Banking Operations

A minimum of two (2) members of the BRMC, to be chaired by an independent and non-executive director, is required to form a quorum. In the absence of the Chairman of the Committee, another independent and non-executive director shall act as the Chairman of the meeting.

After each BRMC meeting, the BRMC shall make available the minutes of the meeting to the Board and further report and update the Board on significant issues and concerns discussed during the BRMC meetings and where appropriate, make the necessary recommendations to the Board.

ACTIVITIES

The BRMC met six (6) times during the financial year ended 30 June 2009. YBhg Datuk Dr Hussein Awang, Mr Tan Keok Yin and Mr Raymond Choong Yee How attended all the meetings held during the financial year.

ACTIVITIES (continued)

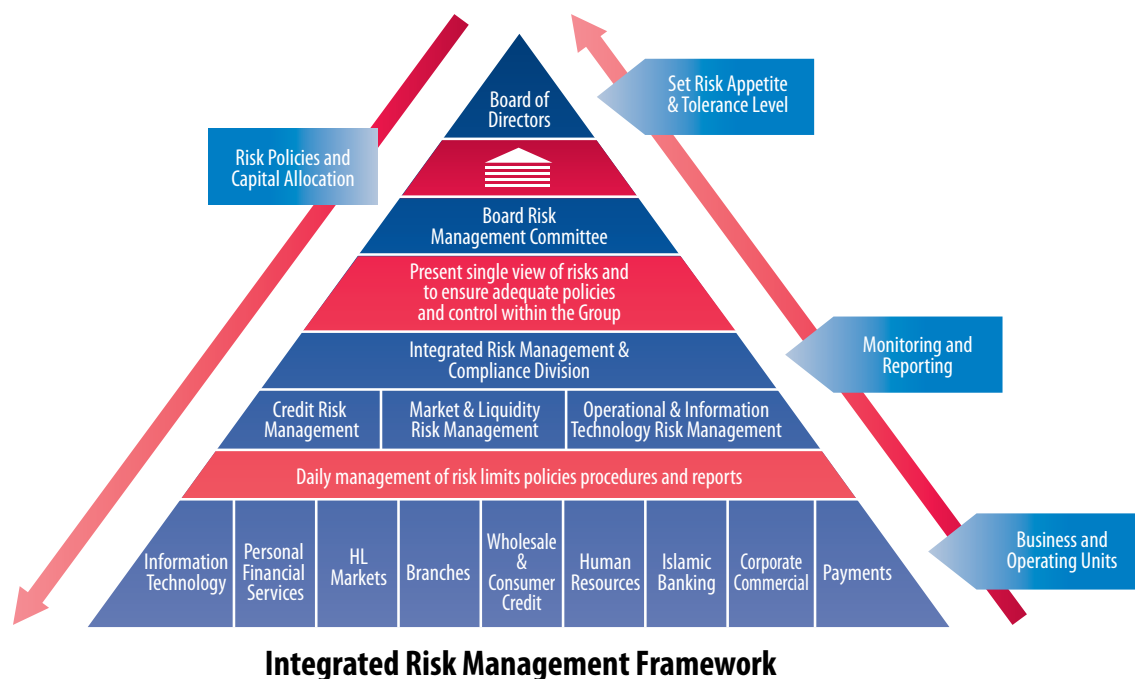
BRMC carried out its duties in accordance with its Terms of Reference supported by IRMC. The BRMC reviewed periodic reports on risk exposure, risk portfolio composition and risk management activities for key areas of risks including regulatory risk weighted assets and capital requirements, preparation and key developments to comply with BNM's Revised Capital Adequacy Framework ("Basel II"), Risk Management Dashboards covering Credit Risk Management, Market Risk Management (including Liquidity Risk Management) and Operational Risk Management (including IT Risk Management). In addition, BRMC also reviewed major risk management strategies, policies and risk tolerance levels for Board's approval. Where the significant risk policies and framework relates to the Group's majority owned subsidiaries, BRMC ensures alignment to the Group's risk management appetite, framework and policies.

Bank-wide compliance matters are also deliberated in great length by the BRMC, including for the Bank's overseas branches, where the BRMC reviewed non-compliance incidences and recommendations for corrective actions. BRMC continuously provides oversight of the Group's compliance activities and ensuring the Group is in compliance to all established policies, guidelines and external regulations.

In preparation for compliance with Basel II, the BRMC also reviewed the actions taken by the Bank and its concerted effort and capital expenditure devoted for Basel II in ensuring that the Basel II Roadmap is on track.

RISK MANAGEMENT

Managing risks is an integral part of the Group's overall business strategy, as risks, if left unchecked against a backdrop of rapidly changing financial landscape and increased uncertainty, can be detrimental to the Bank. Recognising the need to be proactive in the management of risks, the Bank has implemented an Integrated Risk Management framework where the Bank's risks are managed at various levels.



RISK MANAGEMENT (continued)

At the Business and Operating Units level, the business units are risk owners and accountable for the risks inherent in their business. They manage the day-to-day risks of their respective operations.

IRMC monitors and reports the Group's Credit, Market, Liquidity, Operational and IT Risks and presents these risk in a single, consolidated view to the BRMC regularly.

The BRMC deliberates and evaluates the reports prepared by IRMC on the adequacy and effectiveness of the controls to mitigate the Group's risks and thereafter reports and provide updates to the Board, and where appropriate, make the necessary recommendations to the Board.

At the apex of the IRM framework, the Board has the overall responsibility to ensure there is proper oversight of the management of risks in the Group. The Board set the risk appetite and tolerance level and allocates the Group's capital that is consistent with the Group's overall business objectives and desired risk profile.

CREDIT RISK

Credit Risk is the risk of loss if a borrower or counterparty in a transaction fails to meet its obligations.

OPERATIONAL RISK

Operational Risk loss is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which also includes IT and legal risks.

MARKET RISK

Market Risk is the risk of loss in financial instruments or the balance sheet due to adverse movements in the market factors such as interest and exchange rates, prices, spreads, volatilities, and/or correlations.

LIQUIDITY RISK

Liquidity Risk is the risk of loss resulting from the unavailability of sufficient funds to fulfill financial commitments, including customer' liquidity needs, as they fall due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner.

Hong Leong Bank Group's Key Risks**IMPLEMENTATION OF SOPHISTICATED APPROACHES UNDER BASEL II JOURNEY HAS COMMENCED**

The Group places great importance to Basel II and views Basel II as a bank-wide initiative that will ensure that the Bank continues to meet international best practices for the Bank's credit, market and operational risk management practices. By adopting Basel II, the Group will be able to enhance and embed sound risk management practices within the Group and be equipped with the right risk management discipline, practices, processes and systems. The Bank is currently compliant with Basel II which took effect from 1 January 2008.

IMPLEMENTATION OF SOPHISTICATED APPROACHES UNDER BASEL II JOURNEY HAS COMMENCED (continued)

To underscore the importance of this initiative and ensure a concerted effort towards the successful implementation of the Bank's strategic Basel II roadmap which will lay the building blocks for the Bank to adopt more sophisticated capital computation approaches for Credit, Market and Operational risks and ultimately attain Risk Adjusted Return on Capital and Economic Capital, a dedicated Basel II Project Steering Committee ("PSC"), chaired by the Bank's Chief Executive Officer, has been put in place. This Committee is tasked to oversee the implementation of Basel II individual work streams to ensure that the Bank is on track in meeting BNM's requirements and continuing enhancements related to Basel II. The implementation the Basel II roadmap will allow the Bank to fast track the evolution of its bank wide monitoring and reporting functions, paving the way for an unprecedented level of analytics and public disclosure. The PSC is supported by a dedicated Basel II department which monitors the progress of the Basel II initiatives and also provides status updates to the PSC, BRMC and Board on a regular basis.

Furthermore, the Bank has engaged a third party to implement a Basel II system which will generate the necessary reports as required by BNM as well as prepare the Bank in calculating the Probabilities of Defaults ("PDs"), Loss Given Defaults ("LGDs") and Exposure at Defaults ("EADs") which are the components of the more sophisticated Advanced Internal Ratings Based Approach ("AIRB") allowed by Basel II. Other concurrent and key initiatives include Basel II data enrichment project using the Bank's Enterprise Data Warehouse and the associated ongoing data cleansing work, the development of behavioral scorecards and construction of statistical corporate rating models which are critical components to meet Basel II requirements.

CORPORATE GOVERNANCE & INTERNAL CONTROL

“Corporate Governance is the process and structure used to direct and manage the business and affairs of the Company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking into account the interest of other stakeholders.”

~ Finance Committee on Corporate Governance

The Board of Directors (“Board”) has reviewed the manner in which the Malaysian Code on Corporate Governance (“the Code”) is applied in the Group as set out below. The Board is pleased to report compliance of the Group with the Best Practices set out in Part 2 of the Code except where otherwise stated.

A. DIRECTORS

I The Board

The Board assumes responsibility for effective stewardship and control of the Bank and has established terms of reference to assist in the discharge of this responsibility.

The roles and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Group’s businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage these risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals and major capital expenditure and such other responsibilities that are required of them by Bank Negara Malaysia (“BNM”) as specified in guidelines and circulars issued by BNM, from time to time.

The Board observes the Company Directors’ Code of Ethics established by the Companies Commission of Malaysia and BNM/GP7 Code of Ethics: Guidelines on Code of Conduct for Directors, Officers and Employees in the Banking industry.

II Board Balance

The Board of Directors comprises eleven (11) directors, nine (9) of whom are non-executive. Of the non-executive directors, four (4) are independent. The profiles of the members of the Board are provided in the Annual Report.

The Board is of the view that the current Board composition fairly reflects the investment of shareholders in the Company.

The Chairman ensures the smooth and effective functioning of the Board.

The Group Managing Director/Chief Executive is responsible for implementing the policies and decisions of the Board, overseeing the day-to-day operations, setting the plan and direction, benchmark and targets for operating companies, tracking compliance and business progress, initiating innovative business ideas to create competitive edge and development of business and corporate strategies with the aim of enhancing shareholders’ wealth.

A. DIRECTORS (continued)**II Board Balance** (continued)

The Board has identified Mr Tan Keok Yin, the Chairman of the Board Audit Committee (“BAC”), as the Independent Non-Executive Director of the Board to whom concerns may be conveyed, who would bring the same to the attention of the Board.

III Board Meetings

The Board met ten (10) times during the financial year ended 30 June 2009 with timely notices of issues to be discussed. Details of attendance of each director are disclosed in the Directors’ Profile in the Annual Report. At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretary accordingly. Any director who has an interest in the subject matter to be deliberated shall abstain from deliberation and voting on the same during the meetings.

IV Supply of Information

All Board members are supplied with information on a timely manner. Board reports are circulated prior to Board meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, performance of the Bank and of the Group and management’s proposals which require the approval of the Board.

All directors have access to the advice and services of the Company Secretary and Internal Auditors. All directors also have access to independent professional advice at the Bank’s expense, in consultation with the Chairman or the Group Managing Director/Chief Executive of the Bank.

V Appointments to the Board

The Nominating Committee was established on 17 June 2003 and the members are as follows:-

YBhg Datuk Dr Hussein Awang	(Chairman, Independent Non-Executive Director)
YBhg Tan Sri Quek Leng Chan	(Non-Independent Non-Executive Director)
Mr Chew Peng Cheng	(Independent Non-Executive Director)
Mr Tan Keok Yin	(Independent Non-Executive Director)
Mr Kwek Leng Seng	(Non-Independent Non-Executive Director)

The Nominating Committee’s functions and responsibilities are set out in the terms of reference as follows:-

- Recommend to the Board the minimum requirements for appointments to the Board, Board committees and for the position of Chief Executive Officer.
- Review and recommend to the Board all Board appointments and re-appointments and removals including of the Chief Executive Officer.

A. DIRECTORS (continued)**V Appointments to the Board** (continued)

The Nominating Committee's functions and responsibilities are set out in the terms of reference as follows:- (continued)

- Review annually the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and mix of skills and other core competencies required.
- Assess annually the effectiveness of the Board and key senior management officers as a whole and the contribution by each individual Director to the effectiveness of the Board and various Board Committees based on criteria approved by the Board.
- Oversee the appointment, management succession planning and performance evaluation of key senior management officers and recommend their removal if they are found ineffective, errant and negligent in discharging their responsibilities.
- Ensure that the Board receives an appropriate continuous training programme.

During the financial year ended 30 June 2009, two (2) Nominating Committee meetings were held and the meetings were attended by all the members.

The Nominating Committee reviewed the membership of the Board, the professional qualifications and experience of the directors and was satisfied that the Board composition in terms of size, the balance between executive, non-executive and independent directors and mix of skills was adequate. The Nominating Committee also reviewed the performance of the Board against its terms of reference and was satisfied that the Board was competent and effective in discharging its functions.

VI Re-election

All directors are required to submit themselves for re-election every three years.

VII Training and Education

All directors of the Bank have completed the Mandatory Accreditation Programme.

As part of the training programme for its directors, the Bank prepared for the use of its directors, the Director Manual, and organised in-house programmes and regular briefings and updates by its in-house professionals. The directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge.

The Director Manual which is given to every director for their reference, highlights, amongst others, the major duties and responsibilities of a director vis-à-vis various laws, regulations and guidelines governing the same. New Directors will also be given a briefing on the businesses of the Group.

A. DIRECTORS (continued)**VII Training and Education** (continued)

During the financial year ended 30 June 2009, the Directors received regular briefings and updates on the Group's businesses, operations, risk management, internal controls, corporate governance, finance and any new or changes to the companies and other relevant legislations, rules and regulations from in-house professionals. The Bank also organised an in-house programme for its directors and senior management.

The Directors of the Bank had also attended various programmes and forums facilitated by external professionals in accordance with their respective needs in discharging their duties as Directors.

During the financial year ended 30 June 2009, the Directors of the Bank, attended the following training programmes, seminars, briefings and workshops:

1. Financial Institutions Directors' Education Programme
2. Mergers and Acquisitions - Doing Better Deals
3. Main Market Listing Requirements of Bursa Malaysia Securities Berhad
4. FTSE Bursa Malaysia KLCI - Elevating Malaysia's Benchmark Index to Global Standards

VIII Other Board Committees**Board Credit Supervisory Committee (BCSC)**

The members of the BCSC are as follows:-

YBhg Tan Sri Quek Leng Chan (Chairman)
 Ms Yvonne Chia
 Encik Zulkiflee Hashim
 Mr Choong Yee How

The BCSC oversees the management of credit risk and other credit related activities of the Bank and all its subsidiaries.

During the financial year ended 30 June 2009, 16 BCSC meetings were held and all the meetings were attended by all the members.

Executive Committee (EXCO)

The members of the EXCO are YBhg Tan Sri Quek Leng Chan, Ms Yvonne Chia and Encik Zulkiflee Hashim and all matters were approved via circular resolutions. The duties and responsibilities of the EXCO include, amongst others, approving all financial markets transactions; opening, operating and closing of various types of accounts with various financial institutions and such other duties and functions as may be determined by the Board from time to time.

B. DIRECTORS' REMUNERATION

I Level and Make-Up of Remuneration

The Remuneration Committee was established on 17 June 2003 and the members are as follows:-

Mr Tan Keok Yin	(Chairman, Independent Non-Executive Director)
YBhg Tan Sri Quek Leng Chan	(Non-Independent Non-Executive Director)
Mr Chew Peng Cheng	(Independent Non-Executive Director)

The Remuneration Committee's functions and responsibilities are set out in the terms of reference as follows:

- Recommend to the Board the framework governing the remuneration of the :
 - ◆ Directors;
 - ◆ Chief Executive Officer; and
 - ◆ Key senior management officers.
- Review and recommend to the Board the specific remuneration packages of executive directors and the Chief Executive Officer.
- Review the remuneration package of key senior management officers.

During the financial year ended 30 June 2009, one (1) Remuneration Committee meeting was held and the meeting was attended by all the members.

II Procedure

The Remuneration Committee, in assessing and reviewing the remuneration packages of executive directors, ensures that a strong link is maintained between their rewards and individual performance, based on the provisions in the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices.

The fees of Directors, including Non-Executive Directors, are recommended and endorsed by the Board for approval by the shareholders of the Company at its AGM.

III Disclosure

The aggregate remuneration of Directors (including remuneration earned as directors of subsidiaries) for the financial year ended 30 June 2009 is as follows:

	Salaries & Other		
	Fees	Emoluments	Total
	(RM)	(RM)	(RM)
Executive Directors	50,000	3,617,218	3,667,218
Non-Executive Directors	820,000	259,500	1,079,500

B. DIRECTORS' REMUNERATION (continued)**III Disclosure** (continued)

The number of directors whose remuneration fall into the following bands is as follows:

Range of Remuneration (RM)	Executive	Non-Executive
50,001 – 100,000	-	3
100,001 – 150,000	-	4
150,001 – 200,000	-	1
200,001 – 250,000	-	1
950,001 – 1,000,000	1	-
2,500,001 – 3,000,000	1	-

C. SHAREHOLDERS**I Dialogue between Companies and Investors**

The Board acknowledges the importance of regular communication with shareholders and investors via the annual reports, circulars to shareholders, quarterly financial reports and the various announcements made during the year, through which shareholders and investors can have an overview of the Group's performance and operations.

The Bank has a website at <http://www.hlb.com.my> which the shareholders can access for information which includes corporate information, announcements, press releases, briefings, financial information, products information and even career opportunities.

In addition, the Group Financial Controller could provide shareholders and investors with a channel of communication in which they can provide feedback to the Group.

Queries may be conveyed to the following persons:

GROUP FINANCIAL CONTROLLER

Tel No. : 03-2164 2828

Fax No. : 03-2164 1519

e-mail address : Premod@hlbb.hongleong.com.my

ASSISTANT GENERAL MANAGER, STRATEGIC PLANNING

Tel No. : 03-2164 2828

Fax No. : 03-2164 1519

e-mail address : JongAK@hlbb.hongleong.com.my

C. SHAREHOLDERS (continued)

II AGM

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. Senior management and the external auditors are also available to respond to shareholders' queries during the AGM.

D. ACCOUNTABILITY AND AUDIT

The Board Audit Committee was established on 18 August 1994 and re-designated to Board Audit and Risk Management Committee ("BARMC") on 10 January 2002. The BARMC was re-grouped under two separate board committees namely, Board Audit Committee ("BAC") and Board Risk Management Committee ("BRMC") on 2 October 2006. The primary responsibilities of the BAC and BRMC are set out in the BAC Report and BRMC Report respectively.

During the financial year ended 30 June 2009, the BAC met nine (9) times and BRMC met six (6) times. Details of attendance of the committee members are set out in the BAC Report appearing on pages 39 to 41 and BRMC Report appearing on pages 42 to 46 of the Annual Report. The head of finance, head of internal audit, head of compliance, the risk manager and the CEO may attend the BAC and BRMC meetings, on the invitation of the Committee, to provide information and clarification required on items on the agenda. Representatives of the external auditors are also invited to attend the BAC meetings to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the BAC members on significant audit and accounting areas which they noted in the course of their audit.

Issues raised, discussions, deliberations, decisions and conclusions made at the BAC and BRMC meetings are recorded in the minutes of the meetings. Where the BAC or BRMC is considering a matter in which a committee member has an interest, such member abstains from deliberating and voting on the subject matter.

The BAC which comprises all independent non executive directors is supported by the Group Internal Audit Division whose principal responsibility is to conduct periodic audits on internal control matters to ensure compliance with systems and/or standard operating procedures of the Group. Investigation will be made at the request of the BAC and senior management on specific areas of concern when necessary. Significant breaches and deficiencies identified are discussed at the BAC meetings where appropriate actions will be taken.

I Financial Reporting

The Board is responsible for ensuring the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the BAC, which assesses the financial statements with the assistance of the external auditors.

II Internal Control

The Board has overall responsibility for maintaining a system of internal controls which covers financial and operational controls and risk management. This system provides reasonable but not absolute assurance against material misstatements, losses and fraud.

D. ACCOUNTABILITY AND AUDIT (continued)**II Internal Control** (continued)

Following the re-grouping of the BARMC mentioned above into two separate committees, the BRMC is entrusted with the responsibility of identifying and communicating to the Board critical risks the Group faces, changes to the Group's risk profile and management's action plans to manage the risks.

The Statement on Internal Control as detailed under Section E of this Statement provides an overview of the state of internal controls within the Group.

III Relationship with Auditors

The appointment of external auditors is recommended by the BAC, which determines the remuneration of the external auditors.

During the financial year under review, the external auditors met with the BAC to:

- present the scope of the audit before the commencement of audit; and
- review the results of the audit as well as the management letter after the conclusion of the audit.

The external auditors meet with the BAC members at least twice a year without the presence of executive directors and management.

E. STATEMENT ON INTERNAL CONTROL**I. Introduction**

The Board recognizes the practice of good governance is an important continuous process and has established the BAC and BRMC to ensure maintenance of a sound system of internal controls and good risk management practices. The processes for risks and controls assessment and improvement are on-going continuously and are regularly reviewed in accordance with the guidelines on the 'Statement on Internal Control: Guidance for Directors of Public Listed Companies'.

II Responsibilities

The Board acknowledges its overall responsibility for the internal control environment and its effectiveness in safeguarding shareholders' interests and the Bank Group's assets. The internal control framework is designed to manage rather than eliminate the risk of failure in the achievement of goals and objectives of the Bank Group, and therefore only provide reasonable assurance and not absolute assurance, against material misstatement or loss.

The system of internal control that is instituted throughout the Bank Group is updated from time to time to align with the dynamic changes in the business environment as well as process improvement initiatives undertaken. The Board confirms that its Management team responsibly implements the Board policies, procedures and guidelines on risks and controls.

E. STATEMENT ON INTERNAL CONTROL (continued)**III Key Internal Control Processes**

The key internal control processes that are established in reviewing the adequacy and integrity of the system of internal controls, are as follows:-

a. Risk Management Framework

The organisational structure of the Bank Group clearly defines the lines of accountability and responsibility. Risk assessment and evaluation is an integral part of the Bank Group's strategic planning cycle and in response to business environment and opportunities. Management committees are appropriately set up to ensure proper utilisation and investment of the Group assets for effective risk return rewards or to limit losses. The Bank Group' Integrated Risk Management undertakes the implementation of risk scorecards in the business and support units to create continuous risk awareness, understanding of procedures and controls and thus, improve the overall control environment.

The overview is that Management at the first level, is responsible for the day-to-day management of risks inherent in the various business activities. Integrated Risk Management at the second level, is responsible for setting the risk management framework and developing tools and methodologies for the identification, measurement, monitoring, control and pricing of risks. Thirdly, the Internal Audit function which complements risk management by its activity of monitoring and evaluating significant exposures to risk and contributing to the improvement of the risk management and control systems. It also provides from an independent perspective its assessment on the adequacy and effectiveness of the risk management framework.

b. Internal Audit

The Bank's Group Internal Audit (GIA) performs the internal auditing function for the various entities in the financial services group. The GIA regularly reviews the critical operations (as defined in BNM GP 10) and critical controls in the Information Technology environment (as outlined in BNM GPIS) of the Bank Group to ensure the internal controls are in place and working effectively. All audit findings, having been discussed at management level and affirmative actions agreed in response to the audit recommendations, are duly documented in audit reports and tabled to the BAC. Implementation of audit recommendations are followed up on a quarterly basis and reported to the BAC accordingly. Highlights of the BAC meetings are submitted to the Board for review and further deliberation.

c. Compliance

Regulatory and operational compliance units are set up in the various lines of business and support departments. They oversee the day-to-day compliance to critical or major regulatory requirements, business and process controls. Any breach would be reported and dealt with and such information would be compiled by Integrated Risk Management for reporting to higher management and Risk Management Committee.

E. STATEMENT ON INTERNAL CONTROL (continued)**III Key Internal Control Processes** (continued)**d. Other major internal controls**

- The Board receives and reviews regular reports from the Management on the key operating statistics, business dynamics, legal matters and regulatory issues.
- The BAC regularly reviews and holds discussions with management on the actions taken on internal control issues identified in reports prepared by the GIA, external auditors and regulatory authorities.
- Policies on delegation and authority limits are strictly imposed to ensure a culture that respects integrity and honesty.
- Policies and procedures are set out in operation manuals and disseminated in the intranet for easy reference and in support of a learning environment
- The competencies and professionalism of the Group's human resources are developed and maintained through rigorous recruitment process, training programs and a performance appraisal system. Proper guidelines are in place for the recruitment, promotion and termination of staff.

F. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The Main Market Listing Requirements of Bursa Malaysia Securities Berhad require the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Bank as at the end of the financial year and of its financial performance and cash flows of the Group and of the Bank for the financial year.

The directors are satisfied that in preparing the financial statements of the Group and of the Bank for the financial year ended 30 June 2009, the Group has used the appropriate accounting policies and applied them consistently. The directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

This Statement on Corporate Governance and Internal Control is made in accordance with the resolution of the Board of Directors.

DIRECTORS' REPORT

for the financial year ended 30 June 2009

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 30 June 2009.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of commercial banking business and in the provision of related services. The principal activities of the significant subsidiaries consist of Islamic Banking services and managing family takaful including investment-linked business. Other subsidiary companies are primarily engaged in leasing activities, real property investment, and nominee services. The details of the subsidiary companies are disclosed in Note 11 to the financial statements. There have been no significant changes in the principal activities of the Bank and its subsidiary companies during the financial year.

BUSINESS STRATEGY FOR THE CURRENT FINANCIAL YEAR

The Board is pleased to report that during the current financial year, the Group has continued to strengthen its infrastructure and foundation to scale up the business in delivering sustainable and profitable growth for shareholders. A summary of the key strategies is outlined below:

- To grow and defend its earnings and position the core businesses of Personal Financial Services, Wholesale Banking, Islamic Financial Services and E-Banking as a domestic core;
- To be opportunistic and invest in new markets and new international opportunities;
- To enhance our franchise branding and community embedment, particularly through branch transformation activities; and
- To grow our overseas franchises via our branches in Singapore and Hong Kong, and our latest acquired 20% stake in Bank of Chengdu Co., Ltd (formerly known as Chengdu City Commercial Bank Co., Ltd)

OUTLOOK AND BUSINESS PLAN FOR NEW FINANCIAL YEAR

The Group continues to be cautiously optimistic on the outlook for the Bank despite the depressed global conditions. The current market dislocation presents opportunities for growth in existing as well as new markets. We are optimistic that we can capture significant opportunities to strengthen and enlarge the franchise. These will be pursued while maintaining continued vigilance on risk and sustainability.

PERFORMANCE REVIEW AND MANAGEMENT REPORTS

The Board receives and reviews regular reports from the Management on key financial and operating statistics as well as legal and regulatory matters. The performance of each business unit is assessed against the approved budgets and business objectives whilst explanation is provided for significant variances.

DIRECTORS' REPORT

for the financial year ended 30 June 2009
(continued)

CREDIT INFORMATION RATING

In March 2009, Rating Agency Malaysia Berhad has reaffirmed the Bank's long-term rating at AA2 and its short-term rating at P1, with stable outlook.

The ratings indicate that in the long-term, the Bank is adjudged to offer high safety for timely payment of financial obligations while in the short-term, the Bank is adjudged to have superior capacities for timely payment of obligations.

Details of the rating of the Bank and its debt securities are as follows:

Rating Agency	Date Accorded	Rating Classification	Definition
Rating Agency Malaysia Berhad	3 March 2009	Long Term Rating: AA2 Short Term Rating: P1	Demonstrates superior ability to make timely payment of obligations. The institution is also resilient against adverse changes in circumstances, economic conditions or operations environments.
Moody's Investors Services Ltd	20 July 2009	Long Term Rating: A3 Short Term Rating: P1 Subordinated Debt: A3	Indicates a mixture of above-average and average credit worthiness. However, elements may be present which suggest a susceptibility to impairment some time in the future.
Fitch Ratings Ltd	18 December 2008	Long Term Rating: BBB+ Short Term Rating: F2 Subordinated Debt: BBB	Ratings generally indicates good credit quality. There is currently a low expectation of credit risk and satisfactory capacity to meet timely payment of financial obligations. However, adverse changes in circumstances and in economic conditions are likely to impair the institution's capacity.

FINANCIAL RESULTS

	The Group	The Bank
	RM'000	RM'000
Net profit after taxation and zakat:		
- Equity holders of the Bank	905,335	659,678
- Minority interest	(710)	-
	904,625	659,678

DIVIDENDS

Since the last financial year ended 30 June 2008, a final dividend of 15.0 sen per share, less income tax at 25% amounting to RM163,014,333 in respect of the financial year ended 30 June 2008, was paid on 18 November 2008.

An interim dividend for the financial year ended 30 June 2009 of 9.0 sen per share, less income tax at 25% amounting to RM97,808,530, was paid on 16 March 2009.

DIRECTORS' REPORT

for the financial year ended 30 June 2009
(continued)

DIVIDENDS (continued)

The Directors now propose a final dividend of 15.0 sen per share, less income tax at 25%, on the Bank's adjusted issued and paid-up share capital (excluding 81,092,700 treasury shares held pursuant to Section 67A of the Companies Act, 1965) of RM1,499,014,334 comprising 1,499,014,334 shares, amounting to RM168,639,113, for the financial year ended 30 June 2009.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 3 July 2008, the Bank subscribed for 6,000,000 redeemable preference shares of USD0.01 each, issued at a premium of USD0.99 each, in HLB Principal Investments (L) Limited ("HLB PI"), a wholly-owned subsidiary of the Bank. The proceeds were used by HLB PI to undertake the business of holding of or dealing in offshore securities. HLB PI commenced operations on 7 July 2008.
- (b) On 21 July 2008, the subscription of 20% equity interest in Bank of Chengdu Co., Ltd. (formerly known as Chengdu City Commercial Bank Co., Ltd.) was completed.
- (c) On 28 August 2008, the Bank announced that it will be carrying out an internal reorganisation of certain of its direct and indirect wholly-owned subsidiaries to streamline the corporate structure of the Bank for better efficiency ("Internal Reorganisation").

Pursuant to the Internal Reorganisation, HLF Credit (Perak) Bhd ("HLF Credit"), currently an indirect wholly-owned subsidiary of the Bank, will be transferred to become a direct wholly-owned subsidiary of the Bank. Thereafter, certain wholly-owned subsidiaries of the Bank, namely Gensource Sdn Bhd, Hong Leong Leasing Sdn Bhd, HLB Realty Sdn Bhd, HL Leasing Sdn Bhd and WTB Corporation Sdn Bhd will be transferred to become direct wholly-owned subsidiaries of HLF Credit. In addition, Chew Geok Lin Finance Sdn Bhd, a direct wholly-owned subsidiary of WTB Corporation Sdn Bhd, will be transferred to also become a direct wholly-owned subsidiary of HLF Credit. The considerations for the transfer of all the companies concerned will be calculated based on the net assets of the companies as at 30 June 2008 and satisfied by way of intercompany loans. The Internal Reorganisation was completed on 20 October 2008.

- (d) The Bank had on 18 December 2008, announced that its wholly-owned subsidiary, HLF Credit proposed to issue up to RM1,096.3 million nominal value of unsecured and unsubordinated bonds ("Proposed Bonds Issue") to raise funds to subscribe for foreign currency denominated principal protected investments through its subsidiaries.

The tenure of the bonds will be for four (4) years from the date of issuance. The bonds will be issued via private placement basis. The Bank will be assuming the role of Principal Advisor/Lead Arranger of the Proposed Bonds Issue. The Securities Commission's approval was obtained on 27 February 2009.

- (e) On 9 January 2009, the Bank announced that The State Bank of Vietnam has granted a license to the Bank to incorporate and operate a 100% wholly owned commercial bank in Vietnam. The 100% wholly owned commercial bank shall be known as Hong Leong Bank Vietnam Limited ("HLBVN"). The charter capital of HLBVN is 1,000,000,000,000 (one trillion) Vietnam Dong which is approximately equivalent to RM205 million at year-end exchange rates. The Bank is required to incorporate HLBVN and commence operations in Vietnam within 12 months from the date of issuance of the aforesaid license.
- (f) On 10 March 2009, Wah Tat Properties Sdn Bhd, a wholly-owned subsidiary of the Bank, which was placed under member's voluntary liquidation pursuant to Section 254(1) of the Companies Act, 1965, was dissolved.
- (g) On 8 April 2009, the Bank announced that it has entered into a sale and purchase agreement ("SPA") with HLA Holdings Sdn Bhd ("HLAH") for the disposal of its entire shareholding of 55,000,000 ordinary shares of RM1.00 each in Hong Leong Tokio Marine Takafu Berhad ("HLTMT"), representing 55% of the issued and paid-up share capital of HLTMT, to HLAH for cash.

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

SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR

On 9 July 2009, the Bank incorporated HLBVN. The intended business activity of HLBVN is commercial banking.

DIRECTORS' REPORT

for the financial year ended 30 June 2009

(continued)

SHARE CAPITAL

During the financial year, there was no issuance of new ordinary shares. As at 30 June 2009, the issued and paid-up share capital of the Bank is RM1,580,107,034 comprising 1,580,107,034 ordinary shares of RM1.00 each.

SHARE BUY-BACK

The shareholders of the Bank, via an ordinary resolution passed at the Extraordinary General Meeting held on 8 October 2007, had approved the Bank's plan to purchase its own shares up to 10% of existing total issued and paid-up share capital. The Directors of the Bank are committed to enhance the value of the Bank to its shareholders and believe that the share buyback plan can be applied in the best interests of the Bank and its shareholders.

During the financial year, the Bank bought back 2,000 of its issued share capital, as stated in Note 25 (a) to the financial statements at an average price of RM5.45 per share from the open market. The share buy-back transactions were financed by internally generated funds. As at 30 June 2009, the total number of shares bought was 81,092,700 and were held as treasury shares in accordance with the provisions of Section 67A of the Companies Act, 1965. Accordingly, the adjusted issued and paid-up share capital of the Bank (excluding the 81,092,700 treasury shares) as at 30 June 2009 was RM1,499,014,334 comprising 1,499,014,334 shares.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

DIRECTORS

The Directors who have held office since the date of the last report and at the date of this report are as follows:

YBhg Tan Sri Quek Leng Chan	(Chairman, Non-Independent)
Ms Yvonne Chia	(Group Managing Director/Chief Executive, Non-Independent)
Encik Zulkiflee Hashim	(Executive Director, Non-Independent)
Mr Kwek Leng Hai	(Non-Independent Non-Executive Director)
Mr Kwek Leng Seng	(Non-Independent Non-Executive Director)
YBhg Datuk Dr Hussein Awang	(Independent Non-Executive Director)
Mr Tan Keok Yin	(Independent Non-Executive Director)
Mr Chew Peng Cheng	(Independent Non-Executive Director)
YBhg Dato' Mohamed Nazim bin Abdul Razak	(Independent Non-Executive Director)
Mr Choong Yee How	(Non-Independent Non-Executive Director)
Mr Quek Kon Sean	(Non-Independent Non-Executive Director)

In accordance with Article 113 of the Bank's Articles of Association, Mr Kwek Leng Seng, Mr Chew Peng Cheng, Ms Yvonne Chia and YBhg Dato' Mohamed Nazim bin Abdul Razak retire by rotation from the Board and are eligible for re-election.

Mr Chew Peng Cheng, Ms Yvonne Chia and YBhg Dato' Mohamed Nazim bin Abdul Razak offer themselves for re-election.

DIRECTORS' REPORT

for the financial year ended 30 June 2009

(continued)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Bank under Section 134 of the Companies Act, 1965, the Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares/options/convertible bonds in the Bank and/or related corporations during the financial year are as follows:

Shareholdings in which Directors have direct interests					
Number of ordinary shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds					
	Nominal value per share RM	As at 1 July 2008	Acquired	Sold	As at 30 June 2009
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	390,000	-	-	390,000
Hong Leong Financial Group Berhad	1.00	4,989,600	-	-	4,989,600
Hume Industries (Malaysia) Berhad	1.00	2,000,000	-	-	2,000,000
Narra Industries Berhad	1.00	8,150,200	-	-	8,150,200
Guoco Group Limited	USD0.50	1,656,325	-	-	1,656,325
GuocoLand Limited ("GLL")	∞	20,062,965	-	-	20,062,965
GuocoLand (Malaysia) Berhad	0.50	4,476,280	15,030,500	-	19,506,780
GuocoLeisure Limited ("GL")	USD0.20	150,000	585,000	-	735,000
Interests of Mr Kwek Leng Hai in:					
Hong Leong Company (Malaysia) Berhad	1.00	420,500	-	-	420,500
Guoco Group Limited	USD0.50	3,800,775	-	-	3,800,775
GuocoLand Limited	∞	26,468,186	-	-	26,468,186
Hong Leong Financial Group Berhad	1.00	2,316,800	-	-	2,316,800
Hong Leong Industries Berhad	0.50	189,812	-	-	189,812
HLG Capital Berhad	1.00	500,000	-	-	500,000
Hong Leong Bank Berhad	1.00	3,955,700	-	-	3,955,700
Lam Soon (Hong Kong) Limited	HKD1.00	2,300,000	-	-	2,300,000
GuocoLand (Malaysia) Berhad	0.50	226,800	-	-	226,800
Interests of Ms Yvonne Chia in:					
Hong Leong Bank Berhad	1.00	100,000	-	-	100,000
		6,800,000 **	-	-	6,800,000 **
GuocoLand (Malaysia) Berhad	0.50	10,000	-	-	10,000
Hong Leong Financial Group Berhad	1.00	10,000	-	-	10,000
Interest of En Zulkiflee bin Hashim in:					
Hong Leong Bank Berhad	1.00	1,500,000 **	-	-	1,500,000 **

DIRECTORS' REPORT

for the financial year ended 30 June 2009
(continued)

DIRECTORS' INTERESTS (continued)

Shareholdings in which Directors have direct interests Number of ordinary shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds					
	Nominal value per share RM	As at 1 July 2008	Acquired	Sold	As at 30 June 2009
Interests of Mr Kwek Leng Seng in:					
Hong Leong Company (Malaysia) Berhad	1.00	117,500	-	-	117,500
Hong Leong Bank Berhad	1.00	250,490	-	-	250,490
Hong Leong Financial Group Berhad	1.00	410,600	-	-	410,600
GuocoLand (Malaysia) Berhad	0.50	123,180	-	-	123,180
Interests of Mr Chew Peng Cheng in:					
Hong Leong Bank Berhad	1.00	819,873	-	-	819,873
Interests of Mr Choong Yee How in:					
Hong Leong Financial Group Berhad	1.00	8,000,000 ***	-	-	8,000,000 ***
Interests of Mr Quek Kon Sean in:					
Hong Leong Financial Group Berhad	1.00	2,500,000 ***	-	-	2,500,000 ***
Shareholdings in which Directors have indirect interests Number of ordinary shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds					
	Nominal value per share RM	As at 1 July 2008	Acquired	Sold	As at 30 June 2009
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	7,487,100	-	-	7,487,100
Hong Leong Fund Management Sdn Bhd	1.00	1,400,000	-	-	1,400,000
Hong Leong Financial Group Berhad	1.00	824,437,300	-	-	824,437,300
HLG Capital Berhad	1.00	92,590,545	-	-	92,590,545
Hong Leong Bank Berhad	1.00	961,690,100	4,055,000	-	965,745,100
Hong Leong Tokio Marine Takaful Berhad	1.00	65,000,000	-	-	65,000,000
Hong Leong Industries Berhad	0.50	184,899,737	10,513,300 @@	-	195,413,037 @@
Hong Leong Yamaha Motor Sdn Bhd	1.00	17,352,872	-	-	17,352,872
Guocera Tile Industries (Meru) Sdn Bhd	1.00	19,600,000	-	-	19,600,000

DIRECTORS' REPORT

for the financial year ended 30 June 2009

(continued)

DIRECTORS' INTERESTS (continued)

Shareholdings in which Directors have indirect interests Number of ordinary shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds					
	Nominal value per share RM	As at 1 July 2008	Acquired	Sold	As at 30 June 2009
Interests of YBhg Tan Sri Quek Leng Chan in: (continued)					
Hong Leong Maruken Sdn Bhd (In members' voluntary liquidation)	1.00	1,750,000	-	-	1,750,000
Guocera Tile Industries (Labuan) Sdn Bhd	1.00	6,545,001	-	-	6,545,001
Varinet Sdn Bhd (In members' voluntary liquidation)	1.00	10,560,627	-	-	10,560,627
RZA Logistics Sdn Bhd	1.00	7,815,980	118,267	-	7,934,247
Malaysian Pacific Industries Berhad	0.50	127,683,309	-	-	127,683,309
Carter Realty Sdn Bhd	1.00	7	-	-	7
Carsem (M) Sdn Bhd	1.00	84,000,000	-	-	84,000,000
	100.00	22,400 (Redeemable Preference Shares)	-	-	22,400 (Redeemable Preference Shares)
Hume Industries (Malaysia) Berhad	1.00	120,208,928	1,692,101	19,401	121,881,628
Narra Industries Berhad	1.00	38,314,000	-	-	38,314,000
Adjuvant Resources Berhad (formerly known as Camerlin Group Berhad ("ARB"))	0.01	286,874,078	-	3,133,500 ^Δ	283,740,578 ####
Guoco Group Limited	USD0.50	219,839,529	15,359,000	-	235,198,529
GuocoLand Limited ("GLL")	∞	570,958,320	8,066,000	-	579,024,320
		726,348 [*]	20,246,945 [*]	-	20,973,293 [*]
First Garden Development Pte Ltd	∞	72,000,000	-	9,000,000 ^{##}	63,000,000
Melville Park Development Pte Ltd (In members' voluntary liquidation)	∞	57,840,000	-	57,840,000 ^{###}	-
Sanctuary Land Pte Ltd	∞	54,000,000	-	53,910,000 ^{##}	90,000
Beijing Minghua Property Development Co Ltd (In members' voluntary liquidation)	^	150,000,000	-	-	150,000,000
Shanghai Xinhaozhong Property Development Co., Ltd	#	19,600,000	-	-	19,600,000
Beijing Jiang Sheng Property Development Co., Ltd	^	247,600,000	-	-	247,600,000
Nanjing Xinhaoning Property Development Co., Ltd	#	11,800,800	-	-	11,800,800
Nanjing Xinhaoxuan Property Development Co., Ltd	#	11,800,800	-	-	11,800,800

DIRECTORS' REPORT

for the financial year ended 30 June 2009
(continued)

DIRECTORS' INTERESTS (continued)

Shareholdings in which Directors have indirect interests Number of ordinary shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds					
	Nominal value per share RM	As at 1 July 2008	Acquired	Sold	As at 30 June 2009
Interests of YBhg Tan Sri Quek Leng Chan in: (continued)					
Nanjing MaHui Property Development Co., Ltd	^	271,499,800	-	-	271,499,800
Beijing Cheng Jian Dong Hua Real Estate Development Company Limited	^	50,000,000	-	-	50,000,000
Lam Soon (Hong Kong) Limited	HKD1.00	140,008,659	-	-	140,008,659
Kwok Wah Hong Flour Company Limited	HKD100.00	9,800	-	-	9,800
M.C. Packaging Offshore Limited	HKD0.01	812,695	-	-	812,695
Guangzhou Lam Soon Food Products Limited	Ω	6,570,000	-	-	6,570,000
Shekou Lam Soon Silo Company Limited	#	8,464,500	1,035,500	-	9,500,000 ####
GuocoLand (Malaysia) Berhad	0.50	456,555,616	10,000,000 @@@	-	466,555,616 @@
Guoman Hotel & Resort Holdings Sdn Bhd	1.00	277,000,000	-	-	277,000,000
JB Parade Sdn Bhd	1.00	18,000,000	10,000,000	-	28,000,000
	0.01	68,594,000	-	-	68,594,000
		(Redeemable Preference Shares)			(Redeemable Preference Shares)
GuocoLeisure Limited ("GL")	USD0.20	839,709,108	232,766,375 ◇	304,806,272 ~	767,669,211
Bondway Properties Limited (In members' voluntary liquidation)	GBP1.00	1,134,215	-	-	1,134,215
		(Ordinary- Voting Shares)			(Ordinary- Voting Shares)
	GBP1.00	10,332	-	-	10,332
		(Ordinary- Non Voting Shares)			(Ordinary- Non Voting Shares)
Interests of Mr Chew Peng Cheng in:					
Hong Leong Bank Berhad	1.00	4,674,666	-	-	4,674,666
Interest of Mr Quek Kon Sean in:					
Hong Leong Industries Berhad	0.50	-	750,000	-	750,000

Legend:

∞ Concept of par value was abolished with effect from 30 January 2006 pursuant to the Singapore Companies (Amendment) Act, 2005

^ Capital contribution in RMB

Capital contribution in USD

Ω Capital contribution in HKD

Δ Shares cancelled pursuant to the selective capital repayment exercise via capital reduction undertaken by ARB

DIRECTORS' REPORT

for the financial year ended 30 June 2009
(continued)

DIRECTORS' INTERESTS (continued)

Legend:

- ◊ Inclusive of shares which are credited/transferred to a company in which YBhg Tan Sri Quek Leng Chan has interest pursuant to the capital distribution of shares of GL to the entitled shareholders of ARB via a reduction of the share capital and cancellation of ARB's share premium reserve ("Capital Distribution Exercise of ARB")
- ~ Inclusive of cessation of deemed interest held through ARB pursuant to the Capital Distribution Exercise of ARB
- ## Share cancelled via capital reduction
- ### Dissolved during the financial year
- #### Became a wholly-owned subsidiary during the financial year
- @@ Inclusive shares held by children who are not directors of the Company
- ** Shares to be purchased arising from the exercise of Executive Share Option Scheme of Hong Leong Bank Berhad
- *** Shares to be purchased arising from the exercise of Executive Share Option Scheme of Hong Leong Financial Group Berhad
- @@@ Shares held by children who are not directors of the Company

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by certain Directors as shown in the financial statements or the fixed salary of a full-time employee of the Bank or of related corporations) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for:

- (a) YBhg Tan Sri Quek Leng Chan, who may be deemed to derive a benefit by virtue of those transactions, contracts and agreements for the acquisition and/or disposal of stocks and shares, stocks in-trade, products, parts, accessories, plants, chattels, fixtures, buildings, land and other properties or any interest in any properties; and/or the provision of services including but not limited to project and sales management and any other management and consultancy services; and/or the provision of construction contracts, leases, tenancy, dealership and distributorship agreements; and/or the provision of treasury functions, advances and the conduct of normal trading, insurance, investment, stockbroking and/or other businesses between the Bank or its related corporations and corporations in which YBhg Tan Sri Quek Leng Chan is deemed to have interest; and
- (b) Mr Chew Peng Cheng, who may be deemed to derive a benefit by virtue of the tenancies/leases between the Bank and its related corporations with companies in which Mr Chew Peng Cheng is deemed to have interest.

Neither at the end of the financial year, nor at any time during the financial year, did these subsist any other arrangements to which the Bank is a party, with the object or objects of enabling the Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than the share options granted pursuant to the Executive Share Option Scheme.

EXECUTIVE SHARE OPTION SCHEME ("ESOS" OR "SCHEME")

The Executive Share Option Scheme ("ESOS") of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Bank, which was approved by the shareholders of the Bank on 8 November 2005, was established on 23 January 2006 and would be in force for a period of ten (10) years.

On 18 January 2006, the Bank announced that Bursa Malaysia Securities Berhad had approved-in-principle the listing of new ordinary shares of the Bank to be issued pursuant to the exercise of options under the ESOS at any time during the existence of the ESOS.

The ESOS would provide an opportunity for eligible executives who had contributed to the growth and development of the Group to participate in the equity of the Bank.

The main features of the ESOS are, inter alia, as follows:-

1. Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or directors (executive or non-executive) of the Bank and its subsidiaries. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Bank in a general meeting. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options.

DIRECTORS' REPORT

for the financial year ended 30 June 2009

(continued)

EXECUTIVE SHARE OPTION SCHEME ("ESOS" OR "SCHEME") (continued)

2. The aggregate number of shares to be issued under the ESOS shall not exceed 15% of the issued and paid-up ordinary share capital of the Bank for the time being.
3. The Scheme shall be in force for a period of ten (10) years from 23 January 2006.
4. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Bank preceding the date of offer and shall in no event be less than the par value of the shares of the Bank.
5. The option granted to an option holder under the ESOS is exercisable by the option holder only during his employment with the HLB Group and within the option exercise period subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESOS.
6. The exercise of the options may, at the absolute discretion of the Board of Directors of the Bank, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESOS; or a combination of both new shares and existing shares.

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

- (a) 4,500,000 share options at an exercise price of RM5.72;
- (b) 21,800,000 share options at an exercise price of RM6.05;
- (c) 12,835,000 share options at an exercise price of RM5.99; and
- (d) 250,000 share options at an exercise price of RM5.75.

The said share options, if vested, will be satisfied by the transfer of existing shares purchased by a trust established for the ESOS.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE BANK

(I) As at the end of the financial year

- (a) Before the income statements and balance sheets of the Group and the Bank were made out, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and financing and had satisfied themselves that all known bad debts and financing had been written off and that adequate allowance had been made for doubtful debts and financing; and
 - (ii) to ensure that any current assets, other than debts and financing, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and the Bank during the financial year had not been substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in Note 43 to the financial statements.

(II) From the end of the financial year to the date of this report

- (a) The Directors are not aware of any circumstances:
 - (i) which would render the amount written off for bad debts and financing or the amount of the allowance for doubtful debts and financing in the financial statements of the Group and the Bank, inadequate to any substantial extent;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and the Bank misleading; and
 - (iii) which had arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and the Bank misleading or inappropriate.

DIRECTORS' REPORT

for the financial year ended 30 June 2009

(continued)

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE BANK (continued)

(II) From the end of the financial year to the date of this report (continued)

- (b) In the opinion of the Directors:
 - (i) the results of the operations of the Group and the Bank for the financial year ended 30 June 2009 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Bank to meet their obligations as and when they fall due.

(III) As at the date of this report

- (a) There are no charges on the assets of the Group and the Bank which had arisen since the end of the financial year to secure the liabilities of any other person.
- (b) There are no contingent liabilities which had arisen since the end of the financial year.
- (c) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements of the Group and the Bank which would render any amount stated in the financial statements misleading.

DISCLOSURE OF SHARIAH ADVISORY COMMITTEE

The Group's Islamic banking and takaful business activities are subject to the Shariah compliance and confirmation by the Shariah Advisory Committee consisting of 5 scholars, at all times, appointed by the Board of Directors of Hong Leong Islamic Bank Berhad and Hong Leong Tokio Marine Takaful Berhad for a 2 year term.

The primary role of the Shariah Advisor is mainly advising on matters relating to the business operations and products of the Group and providing support by attending regular meetings with the Group to ensure that they are in conformity with Shariah principles.

HOLDING AND ULTIMATE HOLDING COMPANIES

The holding and ultimate holding companies are Hong Leong Financial Group Berhad and Hong Leong Company (Malaysia) Berhad respectively, both companies are incorporated in Malaysia.

AUDITORS

The auditors, Messrs PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 30 July 2009.

Yvonne Chia

Zulkiflee Hashim

Kuala Lumpur
28 August 2009

BALANCE SHEETS

as at 30 June 2009

		The Group		The Bank	
	Note	2009	2008	2009	2008
		RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short-term funds	3	18,343,622	22,264,674	15,820,913	20,392,853
Securities purchased under resale agreements		-	972,742	-	972,742
Deposits and placements with banks and other financial institutions	4	5,417,120	2,137,640	5,291,952	2,137,640
Securities held at fair value through profit or loss	5	7,058,396	4,856,645	5,095,423	3,976,030
Available-for-sale securities	6	4,103,431	5,829,084	3,570,387	5,004,554
Held-to-maturity securities	7	6,355,027	3,002,401	6,228,404	2,875,444
Loans, advances and financing	8	34,795,414	34,534,024	30,938,086	30,306,207
Other assets	9	1,198,162	1,881,660	1,477,380	2,098,308
Statutory deposits with Bank Negara Malaysia	10	368,564	1,315,464	322,500	1,170,500
Investment in subsidiary companies	11	-	-	575,746	592,041
Investment in associated company	12	1,045,285	-	946,505	-
Prepaid lease payments	13	6,185	6,269	5,311	5,386
Property and equipment	14	312,838	290,318	297,012	274,239
Intangible assets	15	29,548	33,262	28,213	31,509
Deferred tax assets	16	153,613	173,153	134,681	155,303
General and family takaful funds	17	217,337	163,869	-	-
Total assets		79,404,542	77,461,205	70,732,513	69,992,756
Liabilities					
Deposits from customers	18	67,583,357	62,547,947	59,719,145	56,466,660
Deposits and placements of banks and other financial institutions	19	2,404,159	6,372,576	2,374,159	5,593,576
Bills and acceptances payable		251,386	411,183	235,253	300,703
Other liabilities	21	2,393,344	2,090,609	2,327,155	2,010,521
Subordinated obligations	22	729,566	671,750	729,566	671,750
General and family takaful funds	17	8,278	3,232	-	-
General and family takaful participants' funds	17	209,059	160,637	-	-
Taxation		48,541	70,033	27,947	26,413
Total liabilities		73,627,690	72,327,967	65,413,225	65,069,623
Equity					
Share capital	23	1,580,107	1,580,107	1,580,107	1,580,107
Reserves	24	4,852,809	4,208,474	4,438,233	4,042,067
Less: Treasury shares	25	(699,052)	(699,041)	(699,052)	(699,041)
Minority interest		42,988	43,698	-	-
Total equity		5,776,852	5,133,238	5,319,288	4,923,133
Total equity and liabilities		79,404,542	77,461,205	70,732,513	69,992,756
Commitments and contingencies	37	78,269,435	81,641,545	77,177,218	80,675,167

INCOME STATEMENTS

for the financial year ended 30 June 2009

	Note	The Group		The Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Interest income	26	2,930,792	3,064,105	2,937,002	3,064,785
Interest expense	27	(1,577,672)	(1,684,946)	(1,579,883)	(1,688,293)
Net interest income		1,353,120	1,379,159	1,357,119	1,376,492
Income from Islamic Banking business	28	176,341	160,044	-	-
		1,529,461	1,539,203	1,357,119	1,376,492
Non-interest income	29	569,511	479,137	511,537	501,067
		2,098,972	2,018,340	1,868,656	1,877,559
Overhead expenses	30	(876,555)	(848,762)	(806,030)	(786,194)
Operating profit before allowances		1,222,417	1,169,578	1,062,626	1,091,365
Allowances for losses on loans, advances and financing	31	(156,714)	(158,527)	(143,297)	(141,335)
Allowance for impairment losses		(32,934)	(1,009)	(32,934)	(1,009)
		1,032,769	1,010,042	886,395	949,021
Share of results of associated company	12	99,462	-	-	-
Profit before taxation and zakat		1,132,231	1,010,042	886,395	949,021
Taxation and zakat	34	(227,606)	(268,181)	(226,717)	(252,491)
Net profit for the financial year		904,625	741,861	659,678	696,530
Attributable to:					
Equity holders of the Bank		905,335	741,818	659,678	696,530
Minority interest		(710)	43	-	-
		904,625	741,861	659,678	696,530
Earnings per share for profit attributable to ordinary equity holders of the Bank (sen):					
- basic/fully diluted	35	62.5	51.2	45.5	48.1
Dividend per share (net)*:					
- interim dividend of 9.0 sen (2008: 9.0 sen) less tax at 25% (2008: 26%)		6.8	6.7	6.8	6.7
- final dividend of 15.0 sen (2008: 15.0 sen) less tax at 25% (2008: 26%)		11.3	11.1	11.3	11.1
		18.1	17.8	18.1	17.8

* Dividends recognised as distributions to equity holders during the financial year

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2009

The Group	Note	Attributable to equity holders of the Bank										Total equity RM'000
		Share capital	Share premium	Treasury shares*	Statutory reserve	Fair value reserve	Share options reserve	Exchange fluctuation reserve	Retained profits	Total	Minority interest	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 July 2008		1,580,107	539,664	(699,041)	1,823,644	(14,701)	2,720	35,529	1,821,618	5,089,540	43,698	5,133,238
Currency translation differences		-	-	-	-	-	-	1,521	-	1,521	-	1,521
Net fair value changes in available-for-sale securities, net of tax		-	-	-	-	(12,000)	-	-	-	(12,000)	-	(12,000)
Income and expense recognised directly in equity		-	-	-	-	(12,000)	-	1,521	-	(10,479)	-	(10,479)
Net profit for the financial year		-	-	-	-	-	-	-	905,335	905,335	(710)	904,625
Total recognised income and expense for the financial year		-	-	-	-	(12,000)	-	1,521	905,335	894,856	(710)	894,146
Transfer to statutory reserve		-	-	-	37,177	-	-	-	(37,177)	-	-	-
Purchase of treasury shares	25	-	-	(11)	-	-	-	-	-	(11)	-	(11)
Dividends paid:												
- final dividend for the financial year ended 30 June 2008	36	-	-	-	-	-	-	-	(163,014)	(163,014)	-	(163,014)
- interim dividend for financial year ended 30 June 2009	36	-	-	-	-	-	-	-	(97,809)	(97,809)	-	(97,809)
Option charge arising from ESOS granted		-	-	-	-	-	10,302	-	-	10,302	-	10,302
Balance as at 30 June 2009		1,580,107	539,664	(699,052)	1,860,821	(26,701)	13,022	37,050	2,428,953	5,733,864	42,988	5,776,852

* Treasury shares consist of two categories which are detailed in Note 25

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2009

(continued)

The Group	Note	Attributable to equity holders of the Bank										Total equity RM'000
		Share capital	Share premium	Treasury shares*	Statutory reserve	Fair value reserve	Share options reserve	Exchange fluctuation reserve	Retained profits	Total	Minority interest	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 July 2007		1,580,107	539,664	(695,111)	1,791,566	(9,508)	-	39,111	1,369,223	4,615,052	43,655	4,658,707
Currency translation differences		-	-	-	-	-	-	(3,582)	-	(3,582)	-	(3,582)
Net fair value changes in available-for-sale securities, net of tax		-	-	-	-	(5,193)	-	-	-	(5,193)	-	(5,193)
Income and expense recognised directly in equity		-	-	-	-	(5,193)	-	(3,582)	-	(8,775)	-	(8,775)
Net profit for the financial year		-	-	-	-	-	-	-	741,818	741,818	43	741,861
Total recognised income and expense for the financial year		-	-	-	-	(5,193)	-	(3,582)	741,818	733,043	43	733,086
Transfer to statutory reserve		-	-	-	32,078	-	-	-	(32,078)	-	-	-
Purchase of treasury shares	25	-	-	(3,930)	-	-	-	-	-	(3,930)	-	(3,930)
Dividends paid:												
- final dividend for the financial year ended 30 June 2007	36	-	-	-	-	-	-	-	(160,840)	(160,840)	-	(160,840)
- interim dividend for the financial year ended 30 June 2008	36	-	-	-	-	-	-	-	(96,505)	(96,505)	-	(96,505)
Option charge arising from ESOS granted during the financial year		-	-	-	-	-	2,720	-	-	2,720	-	2,720
Balance as at 30 June 2008		1,580,107	539,664	(699,041)	1,823,644	(14,701)	2,720	35,529	1,821,618	5,089,540	43,698	5,133,238

* Treasury shares consist of two categories which are detailed in Note 25

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2009

(continued)

The Bank	Note	Non-distributable					Distributable			Total equity RM'000
		Share capital	Share premium	Treasury shares*	Statutory reserve	Fair value reserve	Share options reserve	Exchange fluctuation reserve	Retained profits	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 July 2008		1,580,107	539,664	(699,041)	1,741,612	(14,663)	2,720	35,529	1,737,205	4,923,133
Net fair value changes in available-for-sale securities, net of tax		-	-	-	-	(12,991)	-	-	-	(12,991)
Income and expense recognised directly in equity		-	-	-	-	(12,991)	-	-	-	(12,991)
Net profit for the financial year		-	-	-	-	-	-	-	659,678	659,678
Total recognised income and expense for the financial year		-	-	-	-	(12,991)	-	-	659,678	646,687
Purchase of treasury shares	25	-	-	(11)	-	-	-	-	-	(11)
Dividends paid:										
- final dividend for the financial year ended 30 June 2008	36	-	-	-	-	-	-	-	(163,014)	(163,014)
- interim dividend for the financial year ended 30 June 2009	36	-	-	-	-	-	-	-	(97,809)	(97,809)
Option charge arising from ESOS granted		-	-	-	-	-	10,302	-	-	10,302
Balance as at 30 June 2009		1,580,107	539,664	(699,052)	1,741,612	(27,654)	13,022	35,529	2,136,060	5,319,288
Balance as at 1 July 2007		1,580,107	539,664	(695,111)	1,741,612	(9,720)	-	39,111	1,298,020	4,493,683
Currency translation differences		-	-	-	-	-	-	(3,582)	-	(3,582)
Net fair value changes in available-for-sale securities, net of tax		-	-	-	-	(4,943)	-	-	-	(4,943)
Income and expense recognised directly in equity		-	-	-	-	(4,943)	-	(3,582)	-	(8,525)
Net profit for the financial year		-	-	-	-	-	-	-	696,530	696,530
Total recognised income and expense for the financial year		-	-	-	-	(4,943)	-	(3,582)	696,530	688,005
Purchase of treasury shares	25	-	-	(3,930)	-	-	-	-	-	(3,930)
Dividends paid:										
- final dividend for the financial year ended 30 June 2007	36	-	-	-	-	-	-	-	(160,840)	(160,840)
- interim dividend for the financial year ended 30 June 2008	36	-	-	-	-	-	-	-	(96,505)	(96,505)
Option charge arising from ESOS granted during the financial year		-	-	-	-	-	2,720	-	-	2,720
Balance as at 30 June 2008		1,580,107	539,664	(699,041)	1,741,612	(14,663)	2,720	35,529	1,737,205	4,923,133

* Treasury shares consist of two categories which are detailed in Note 25

CASH FLOW STATEMENTS

for the financial year ended 30 June 2009

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation and zakat	1,132,231	1,010,042	886,395	949,021
Adjustment for:				
Depreciation of property and equipment	45,795	44,758	44,765	43,781
Amortisation of prepaid lease payments	84	101	75	92
Amortisation of intangible assets	13,302	12,997	12,824	12,591
Net gain on disposal of property and equipment	(1,029)	(625)	(1,029)	(609)
Shares of associate's results	(99,462)	-	-	-
Property and equipment written off	8	52	8	52
Intangible assets written off	-	87	-	87
Gain from disposal of subsidiaries	-	-	(4,241)	-
Gain from redemption of held-to-maturity securities	(316)	(1,966)	(316)	(1,966)
Gain from disposal of available-for-sale securities	(29,897)	(6,759)	(29,897)	(6,759)
Gain from disposal of securities held at fair value through profit or loss and derivatives	(18,052)	(21,937)	(7,472)	(21,937)
Allowances for losses on loans, advances and financing	269,551	245,422	251,061	223,521
Net unrealised (gain)/loss on revaluation of securities held at fair value through profit or loss and derivatives	10,250	2,499	40,329	(20,913)
Net realised loss on fair value changes arising from fair value hedges	14,851	30,856	4,273	27,212
Allowance for impairment losses	32,934	1,009	32,934	1,009
Accretion of discount less amortisation of premium	(203,169)	(216,986)	(203,169)	(216,986)
Interest expense on subordinated obligations	36,631	34,201	36,631	34,201
Interest expense on syndicated loans	-	11,678	-	11,678
Interest income from available-for-sale securities	(91,119)	(110,839)	(90,176)	(110,839)
Interest income from held-to-maturity securities	(145,010)	(35,982)	(145,010)	(35,982)
Dividend income from available-for-sale and held-to-maturity securities	(5,027)	(3,123)	(5,027)	(3,123)
Share option expenses	10,302	2,720	10,302	2,720
Operating profit before working capital changes	972,858	998,205	833,260	886,851
(Increase)/decrease in operating assets				
Deposits and placements with banks and other financial institutions	(3,279,480)	7,009,518	(3,154,312)	6,909,518
Securities purchased under resale agreements	972,742	2,522,567	972,742	2,522,567
Securities held at fair value through profit or loss	(2,024,996)	(1,346,915)	(932,718)	(736,736)
Loans, advances and financing	(530,334)	(3,122,684)	(882,333)	(2,561,755)
Other assets	654,192	(1,224,233)	507,731	(1,292,412)
Statutory deposits with Bank Negara Malaysia	946,900	(108,525)	848,000	(133,875)
General and family takaful funds	(53,468)	(157,347)	-	-

CASH FLOW STATEMENTS

for the financial year ended 30 June 2009

(continued)

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Increase/(decrease) in operating liabilities				
Deposits from customers	5,035,410	5,828,550	3,252,485	4,593,361
Deposits and placements of banks and other financial institutions	(3,968,417)	1,258,956	(3,219,417)	554,956
Obligations on securities sold under repurchase agreements	-	(1,129,521)	-	(1,129,521)
Bills and acceptances payable	(159,797)	(155,068)	(65,450)	(261,792)
Other liabilities	261,051	127,535	316,634	166,657
General and family takaful funds	5,046	2,304	-	-
General and family takaful participants' funds	48,422	155,043	-	-
Cash (used in)/generated from operations	(1,119,871)	10,658,385	(1,523,378)	9,517,819
Income taxes and zakat paid	(224,802)	(289,257)	(199,384)	(268,350)
Net cash flow (used in)/generated from operating activities	(1,344,673)	10,369,128	(1,722,762)	9,249,469
Cash flows from investing activities				
Net proceeds/(purchases) of available-for-sale securities	1,833,057	(2,892,448)	1,538,638	(2,216,071)
Net purchases of held-to-maturity securities	(3,193,281)	(280,646)	(3,193,615)	(586,501)
Proceeds from sale of subsidiary companies	-	-	43,447	-
Acquisition of subsidiary companies	-	-	(20,705)	(15,000)
Proceeds from sale of prepaid lease payments	-	445	-	445
Purchase of property and equipment	(70,179)	(96,065)	(69,177)	(94,818)
Proceeds from sale of property and equipment	2,935	7,294	2,709	6,923
Purchase of intangible assets	(9,588)	(12,523)	(9,528)	(12,016)
Dividend received on available-for-sale and held-to-maturity securities	5,027	3,123	5,027	3,123
Investment in associated company	(904,821)	-	(904,821)	-
Net cash flows used in investing activities	(2,336,850)	(3,270,820)	(2,608,025)	(2,913,915)
Cash flows from financing activities				
Dividend paid	(260,823)	(257,345)	(260,823)	(257,345)
Purchase of treasury shares	(11)	(3,930)	(11)	(3,930)
Interest paid on subordinated obligations	(35,546)	(34,999)	(35,546)	(34,999)
Interest paid on syndicated loan	-	(13,783)	-	(13,783)
Repayment of syndicated loan	-	(517,425)	-	(517,425)
Net cash used in financing activities	(296,380)	(827,482)	(296,380)	(827,482)

CASH FLOW STATEMENTS

for the financial year ended 30 June 2009

(continued)

	Note	The Group		The Bank	
		2009	2008	2009	2008
		RM'000	RM'000	RM'000	RM'000
Net (decrease)/increase in cash and cash equivalents		(3,977,903)	6,270,826	(4,627,167)	5,508,072
Effects of exchange rate changes		56,851	3,932	55,227	3,932
Cash and cash equivalents at the beginning of financial year		22,264,674	15,989,916	20,392,853	14,880,849
Cash and cash equivalents at the end of financial year	3	18,343,622	22,264,674	15,820,913	20,392,853

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements.

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Bank have been prepared in accordance with the Malaysian Accounting Standards Board (“MASB”) Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, Bank Negara Malaysia (“BNM”) Guidelines and comply with provisions of the Companies Act, 1965. The financial statements incorporate the activities relating to Islamic Banking and takaful businesses which have been undertaken by the Bank’s subsidiaries, Hong Leong Islamic Bank Berhad (“HLISB”) and Hong Leong Tokio Marine Takaful Berhad (“HLTMT”) in compliance with Shariah principles. Islamic Banking business refers generally to the acceptance of deposits and granting of financing under the Shariah principles while takaful business refers generally to underwriting of Islamic insurance under the Shariah principles.

The preparation of financial statements in conformity with Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group’s and the Bank’s accounting policies. Although these estimates and judgement are based on the management and Directors’ best knowledge of current events and actions, actual results may differ from those estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 49.

(a) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank and are effective

There are no new accounting standards, amendments to published standards and interpretations to existing standards that are applicable and effective for the Group and the Bank for the financial year ended 30 June 2009.

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective

The new standards and IC Interpretations that are applicable to the Group and the Bank but which the Group and the Bank have not early adopted, are as follows:

- FRS 8 Operating Segments (effective for accounting periods beginning on or after 1 July 2009). FRS 8 replaces FRS 114²⁰⁰⁴ Segment Reporting. This new standard requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. The Group and the Bank will apply this standard when effective.

The following new standards and IC Interpretation will be effective for annual period beginning on or after 1 January 2010. The Group and the Bank will apply these standards and IC Interpretations when effective:

- IC Interpretation 9 Reassessment of Embedded Derivatives. IC Interpretation 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is disallowed unless there is a change in the terms of contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.
- IC Interpretation 10 Interim Financial Reporting and Impairment. IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.
- Amendments to FRS 2 “Share-based Payment: Vesting Conditions and Cancellations” clarify that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (continued)

- Amendments to FRS 1 “First-time Adoption of Financial Reporting Standards” and FRS 127 “Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate” allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor.
- IC Interpretation 11 “FRS 2 Group and Treasury Share Transactions” provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent’s shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone financial statements of the parent and group companies.
- The Group and the Bank have applied transitional provisions in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the standard in the financial statements of the Group and the Bank.
 - (i) FRS 139 Financial Instruments: Recognition and Measurement. This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. However, with effect from 1 January 2005, the revised BNM/GP8 has adopted certain FRS 139 principles in recognising and measuring financial assets, financial liabilities, derivative financial instruments and hedge accounting. The relevant accounting policies are set out in Notes F, L and Q to the financial statements.
 - (ii) FRS 7 Financial Instruments: Disclosures
 - (iii) FRS 4 Insurance Contracts

The adoption of the above new standards and IC Interpretations is expected not to have a material impact on the Group’s and the Bank’s financial statements for the financial year ending 30 June 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Economic entities in the Group

(i) Subsidiaries

The Bank treats as subsidiaries those corporations, partnerships or other entities (including special purpose entities) in which the Bank has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than half of the voting rights.

Investment in subsidiaries is stated at cost less accumulated impairment losses. Where there is an indication of impairment, the carrying amount of the investment is assessed. A write down is made if the carrying amount exceeds its recoverable amount.

The consolidated financial statements include the financial statements of the Bank and all its subsidiaries made up to the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A Economic entities in the Group (continued)

(i) Subsidiaries (continued)

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases. Subsidiaries are consolidated using the purchase method of accounting, except for business combinations which were accounted for using merger accounting principles:

- subsidiaries that were consolidated prior to 1 July 2001 in accordance with Malaysian Accounting Standard 2 “Accounting for Acquisitions and Mergers”, the generally accepted accounting principles prevailing at that time
- business combinations consolidated on/after 1 July 2001 but with agreement dates before 1 January 2006 that meet the conditions of a merger as set out in FRS 122₂₀₀₄ “Business Combinations”
- internal group reorganisations, as defined in FRS 122₂₀₀₄, consolidated on/after 1 July 2001 but with agreement dates before 1 January 2006 where:
 - the ultimate shareholders remain the same, and the rights of each such shareholder, relative to the others, are unchanged; and
 - the minorities’ share of net assets of the Group is not altered by the transfer
- business combinations involving entities or businesses under common control with agreement dates on/after 1 January 2006

The Group has taken advantage of the exemption provided by FRS 122₂₀₀₄ and FRS 3 to apply these Standards prospectively. Accordingly, business combinations entered into prior to the respective effective dates have not been restated to comply with these Standards.

Under the purchase method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition up to the date of disposal. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Minority interest represent that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the minorities’ share of the fair value of the subsidiaries’ identifiable assets and liabilities at the acquisition date and the minorities’ share of changes in the subsidiaries’ equity since that date.

All material transactions and balances between group companies are eliminated and the consolidated financial statements reflect external transactions only. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group’s share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in the consolidated income statement.

(ii) Associates

Associates are those corporations, partnerships or other entities in which the Group exercise significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A Economic entities in the Group (continued)

(ii) Associates (continued)

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

B Recognition of interest and Islamic financing income

Recognition of interest income from loans and advances

Interest income is recognised on an accrual basis.

Where an account is classified as non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing are reversed out of income and set-off against the accrued interest receivable amount in the balance sheet. Subsequently, interest earned on non-performing loan is recognised as interest income on cash basis instead of being accrued and suspended at the same time as prescribed previously.

Customers' accounts are classified as non-performing where repayments are in arrears for 3 months or more from the first day of default for loans and overdrafts, and after 3 months from maturity date for trade bills, bankers' acceptances and trust receipts.

The Bank's policy on recognition of interest income on loans and advances is in conformity with BNM's "Guidelines on the Classification of Non-performing Loans and Provision for Substandard, Bad and Doubtful Debts" ("BNM/GP3") and the revised BNM/GP8.

Recognition of Islamic financing income

Islamic financing income is recognised on an accrual basis in accordance with the Shariah principles and BNM's "Guidelines on Financial Reporting for Licensed Islamic Banks" ("BNM/GP8-i"). Al-Ijarah Thumma Al-Bai ("AITAB") financing income is recognised using the "sum-of-digits" method over the lease terms, whilst Al-Bai Bithaman Ajil ("BBA"), Al-Murabahah, Al-Istisna and Bai Al-Inah financing income is recognised on a monthly basis over the period of the financing contracts, based on an agreed profit sharing rate at the inception of such contracts.

Where an Islamic financing account becomes non-performing, income earned is not reversed out from the income from financing as "income suspended" and reduced against the loan interest receivable accounts. Subsequently, income earned on non-performing loan is recognised as income on a cash basis.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C Recognition of fees and other income

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled. Commitment fees and guarantee fees which are material are recognised as income based on time apportionment. Services charges and other fee income are recognised as income when the services are rendered.

Dividends from securities held at fair value through profit or loss, available-for-sale securities, held-to-maturity securities and subsidiary companies are recognised when the right to receive payment is established.

Net profit from securities held at fair value through profit or loss and available-for-sale securities are recognised upon disposal of the securities, as the difference between net disposal proceeds and the carrying amount of the securities.

Acquisition costs, commissions and management fees are borne by the family takaful and general takaful funds respectively in the revenue accounts of HLTMT at an agreed percentage of the gross contribution, in accordance with the principles of Wakalah as approved by HLTMT's Shariah Advisory Committee and agreed between the participants and HLTMT. These are transferred to the shareholders' fund via upfront wakalah fee and deferred wakalah fee.

Upfront wakalah fee is recognised as income upon issuance of the certificate.

Investment profit of family takaful and general takaful funds are shared by the participants and the shareholders' fund at an agreed percentage, in accordance with the principles of Mudharabah basis as approved by HLTMT's Shariah Advisory Committee and agreed between the participants and HLTMT.

Deferred wakalah fee is allocated to the Shareholders' fund upon monthly allocation of tabarru/donation charge from participants' funds to the risk fund and is deferred as a liability under "deferred wakalah fee reserve". Deferred wakalah fee is recognised as income based on the recommendation by the appointed actuary when the risk fund is in a surplus position after an annual actuarial valuation of the risk fund at the end of the financial period.

D Allowances for bad and doubtful debts and financing

Specific allowances are made for doubtful debts and financing which have been individually reviewed and specifically identified as bad or doubtful.

A general allowance based on a percentage of the loan and financing portfolio is also made to cover possible losses which are not specifically identified.

An uncollectible loan and financing or portion of a loan and financing classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management there is no prospect of recovery.

The policy on allowances for non-performing debts and financing is in general more stringent than that laid down in BNM/GP3.

Bank Negara Malaysia has granted indulgence to the Group and the Bank and other local banks from complying with the requirement on the impairment of loans under the revised Guideline on Financial Reporting for Licensed Institutions ("revised BNM/GP8"). Paragraph 4, Appendix A of the revised BNM/GP8 requires the impaired loans to be measured at their estimated recoverable amount. This requirement is principally similar to the requirement under FRS 139 – Financial Instruments: Recognition and Measurement. During the financial year, BNM issued a revised circular on BNM/GP3 which requires impaired credit facilities to be measured at their recoverable amount. This requirement supersedes paragraph 4, Appendix A of the revised BNM/GP8. The Group and the Bank and other local banks in Malaysia will be deemed to be in compliance with the requirement on the impairment on loans under the revised BNM/GP8 if the allowance for non-performing loans, advances and financing is computed based on BNM's guidelines on the Classification of Non-Performing Loans and Provisions for Substandard, Bad and Doubtful Debts ("BNM/GP3") requirements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E Sale and repurchase agreements

Securities purchased under resale agreements are securities which the Bank had purchased with a commitment to re-sell at future dates. The commitment to re-sell the securities is reflected as an asset on the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities which the Bank had sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligations to repurchase the securities are reflected as a liability on the balance sheet, except for those transacted under Islamic principles.

The difference between sale and repurchase price as well as purchase and resale price is treated as interest and accrued over the life of the resale/repurchase agreement using the effective yield method.

F Securities portfolio

The Group and the Bank classify their securities portfolio into the following categories: securities held at fair value through profit or loss, available-for-sale securities and held-to-maturity securities. Management determines the classifications of its securities up-front at the point when transactions are entered into.

(i) Securities held at fair value through profit or loss

Securities held at fair value through profit or loss comprise of securities held-for-trading ("HFT") and securities other than those held-for-trading but valued at fair value through profit or loss.

Held-for-trading securities

Held-for-trading securities ("HFT") are securities that are acquired and held principally for the purpose of selling in the short term.

Securities other than held-for-trading designated at fair value

Securities are classified as such if this eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Pursuant to the amendments to the revised BNM/GP8, the Group is now permitted by BNM for the period from 1 July 2008 to 31 December 2009 to reclassify non-derivatives held-for-trading securities into held-to-maturity securities or available-for-sale securities.

Reclassifications are made at the fair value at the date of the reclassification. The fair values of the securities becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before the reclassification date are subsequently made. The effective interest rates for the securities reclassified to held-to-maturity category is determined at the reclassification date. Further changes in estimates of future cash flows are recognised as an adjustment to the effective interest rates.

(ii) Available-for-sale securities

Available-for-sale securities are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(iii) Held-to-maturity securities

Held-to-maturity securities are non-derivative instruments with fixed or determinable payments and fixed maturities that the Group's and the Bank's management has the positive intent and ability to hold to maturity. If the Group or the Bank sell other than an insignificant amount of held-to-maturity securities, the entire category will be tainted and reclassified as available-for-sale securities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F Securities portfolio (continued)

Securities are initially recognised at fair value. Securities are derecognised when the rights to receive cash flows from the securities have expired or where the Group or the Bank has transferred substantially all risks and rewards of ownership.

Securities held at fair value through profit or loss and available-for-sale securities are subsequently carried at fair value. Gains and losses arising from changes in the fair value of the securities held for trading category are included in the income statement in the period which they arise. Gains and losses arising from changes in fair value of available-for-sale securities are recognised directly in equity, until the securities are derecognised or impaired at which time the cumulative gains or loss previously recognised in equity are recognised in the income statement. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost.

Held-to-maturity securities are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from the derecognition or impairment of the securities are recognised in the income statement.

Interest from securities held at fair value through profit or loss, available-for-sale securities and held-to-maturity securities is calculated using the effective interest method and is recognised in the income statement. Dividends from available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

The fair values of quoted securities are based on quoted prices in active markets. If the market for an instrument is not active (and for unquoted securities), the Group and the Bank establish fair value by using valuation techniques.

G Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold land is not depreciated as it has an infinite life. Other property and equipment are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Buildings on freehold land	50 years
Buildings on leasehold land	Over the remaining period of the lease or 50 years whichever is shorter
Office furniture, fittings, equipment and renovations and computer equipment	5 years
Motor vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Depreciation on assets under construction commences when the assets are ready for their intended use.

Property and equipment are reviewed for impairment at each balance sheet date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in non-interest income.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H Intangible assets

(i) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

(ii) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries, jointly controlled entities and associates over the fair value of the Group's share of the identifiable net assets at the date of acquisition. Goodwill on acquisition of associates is included in 'Investment in associate' and is tested for impairment as part of the overall balance.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. Impairment testing is performed annually by comparing the present value of the CGU's projected cash flows against the carrying amount of its net assets which include allocated goodwill.

As at 30 June 2009, there is no separately recognised goodwill on consolidation.

I Leases

Where the Bank/Group is the lessee

Lease of property and equipment where the Bank/Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of fair value of the lease assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and the finance charge. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property and equipment acquired under finance lease are depreciated over the estimated useful life of the assets and the lease term.

Leases of assets where a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payment made under operating leases are charged to income statement over the lease period.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

Where the Bank/Group is the lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as receivable. The difference between the gross receivables and net present value of the receivables is recognised as unearned income. Lease income is recognised over the term of the lease.

Assets leased out under operating leases are included in property and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar assets. Rental income is recognised on straight line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

K Income taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax related to fair value re-measurement of available-for-sale securities, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

L Derivative financial instruments and hedging

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the income statement.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group and the Bank recognise profits immediately.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L Derivative financial instruments and hedging (continued)

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Bank designated certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge) or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge) or (3) hedges of a net investment in a foreign operation (net investment hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the transaction, the Group and the Bank document the relationship between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. The Group and the Bank also document their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain and loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains and losses accumulated in the equity are included in the income statement when the foreign operation is partially disposed or sold.

(iv) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M Currency translations

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Group's and the Bank's functional and presentation currency.

(ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in income, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets are recognised in income as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

N Employee benefits

Short term employee benefits

The Group and the Bank recognise a liability and an expense for bonuses. The Group and the Bank recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Bank.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N Employee benefits (continued)

Defined contribution plan

A defined contribution plan is a pension plan under which the Group and the Bank pay fixed contributions into a fund and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Group and Bank contributes to a national defined contribution plan (the Employee Provident Fund) on a mandatory basis and the amounts contributed to the plan are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based compensation

The Bank operates an equity-settled, share-based compensation plan for the employees of the Bank. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the income statement over the vesting periods of the grant with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Bank revises its estimates of the number of share options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

A trust has been set up for the Executive Share Option Scheme ("ESOS") 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 with FRS 132 – Financial Instruments: Presentation and Disclosure, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares" in equity on the balance sheet. The cost of operating the ESOS scheme would be charged to the income statement when incurred in accordance with accounting standards.

O Family takaful fund

The family takaful fund is maintained in accordance with the requirements of the Takaful Act, 1984 and includes the amount attributable to participants. The amount attributable to participants represents the accumulated surplus attributable in accordance with the terms and conditions prescribed by the Shariah Advisory Committee of HLTMT.

The family takaful fund surplus/deficit is determined by an annual actuarial valuation of the family takaful fund. Any actuarial deficit in the family takaful fund will be made good by the shareholder's fund via a benevolent loan or Qardhul Hassan.

Contribution income

Contributions are recognised as soon as the amount of contributions can be reliably measured. Initial contribution is recognised from inception date and subsequent contributions are recognised on due dates.

Inward treaty retakaful contributions are recognised on the basis of periodic advices received from ceding companies.

Outward retakaful contributions are recognised in the same accounting period as the original certificates to which the retakaful relates.

Contribution of investment-linked business is in respect of the net creation of units which represents contributions paid by participants as payment for new certificates or subsequent payments to increase the amount of their certificates. Net creation of units is recognised on a receipt basis.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O Family takaful fund (continued)

Provision for outstanding claims

Claims and settlement costs that are incurred during the financial period are recognised when a claimable event occurs and/or the takaful operator is notified.

Claims and provision for claims arising on family takaful certificates, including settlement costs, are accounted for using the case basis method and for this purpose; the benefits payable under a family takaful certificate are recognised as follows:

- (i) Maturity or other certificate benefit payments due on specified dates are treated as claims payable on the due dates;
- (ii) Death, surrender and other benefit payments without due dates are treated as claims payable, on the date of receipt of intimation of death of the participant or occurrence of contingency covered.

The benefit payable under investment-linked business is in respect of net creation of units and is recognised as surrenders.

P General takaful fund

The general takaful fund is maintained in accordance with the Takaful Act, 1984 and consists of unearned contribution reserves, and accumulated surplus attributable to participants which represents the participants' share in the net surplus of the general takaful revenue account, distributable in accordance with the terms and conditions prescribed by the Shariah Advisory Committee of HLTMT. The general takaful underwriting results are determined for each class of takaful business after taking into account retakaful, unearned contributions and claims incurred. Underwriting deficit will be made good by the shareholders' fund via a benevolent loan or Qardhul Hassan.

Contribution income

Contributions are recognised in a financial period in respect of risks assumed during that particular financial period. Contributions from direct business are recognised during the financial period upon the issuance of debit notes.

Unearned contribution reserves

Unearned contribution reserves ("UCR") represent the portion of net contributions of takaful certificates written that relate to the unexpired periods of the certificates at the end of the financial period. In determining the UCR at balance sheet date, the method that most accurately reflects the actual unearned contributions is used as follows:

- (i) 1/365th method for all classes of general takaful business within Malaysia, reduced by the corresponding percentage of accounted gross direct business commissions and agency-related expenses not exceeding the limits specified by Bank Negara Malaysia.
- (ii) Time apportionment method for non-annual certificates and first year annual certificate cover period of more than one year, reduced by the percentage of accounted gross direct business commissions to the corresponding contribution, not exceeding the limits specified by Bank Negara Malaysia.

Provision for outstanding claims

A liability for outstanding claims is recognised in respect of both direct takaful and inward retakaful business. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less retakaful recoveries to settle the present obligation at the balance sheet date.

Provision is also made for the cost of claims, together with related expenses incurred but not reported ("IBNR") at the balance sheet date, based on an actuarial valuation by a qualified actuary.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q Impairment of securities portfolio

The Group and the Bank assess at each balance sheet date whether there is objective evidence that the securities are impaired. A security or a group of securities is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the securities (a 'loss event') and that loss event has an impact on the estimated future cash flows of the securities that can be reliably estimated.

(i) Securities carried at amortised cost

If there is an objective evidence that an impairment loss on held-to-maturity instruments held at amortised cost has been incurred, the amount of loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at the securities' original effective interest rate. The carrying amount of the securities is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

(ii) Securities carried at fair value

In the case of equity instruments classified as available-for-sale securities, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If there is an objective evidence that an impairment loss on available-for-sale securities has been incurred, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the securities previously recognised in income statement - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale securities increases and the increase can be related objectively to an event occurring after the impairment was recognised in the income statement, the impairment loss is reversed through the income statement.

R Foreclosed properties

Foreclosed properties are stated at the lower of cost and net realisable value.

S Bills and acceptances payable

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

T Provisions

Provisions are recognised by the Group and the Bank when all of the following conditions have been met:

- (i) the Group and the Bank have a present legal or constructive obligation as a result of past events;
- (ii) it is probable that an outflow of resources to settle the obligation will be required; and
- (iii) a reliable estimate of the amount of obligation can be made.

Where the Group and the Bank expect a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T Provisions (continued)

Provisions are measured at the present values of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

U Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and short-term funds.

V Zakat

Zakat provision is calculated based on 2.5% of net asset method.

W Treasury shares

The Bank has repurchased its shares and designated as treasury shares in accordance with FRS 132 – Financial Statements: Presentation and Disclosure. Treasury shares consist of those own shares purchased pursuant to Section 67A of the Companies Act, 1965 and those purchased pursuant to ESOS scheme. Details of treasury shares are as detailed in Note 25 of the financial statements.

X Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Y Segment reporting

Segment reporting is presented for enhanced assessment of the Bank's risk and return. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those components.

Segment revenue, expense, assets and liabilities are those amount resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

3 CASH AND SHORT-TERM FUNDS

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	731,278	415,497	434,004	429,016
Money at call and deposit placements maturing within one month	17,612,344	21,849,177	15,386,909	19,963,837
	18,343,622	22,264,674	15,820,913	20,392,853

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Bank Negara Malaysia ("BNM")	3,170,600	200,000	3,170,600	200,000
Licensed banks	2,246,520	1,657,078	2,121,352	1,657,078
Licensed investment banks	-	100,000	-	100,000
Other financial institutions	-	180,562	-	180,562
	5,417,120	2,137,640	5,291,952	2,137,640

5 SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Held-for-trading				
Money market instruments				
Bank Negara Malaysia bills	1,738,604	1,170,850	895,517	793,682
Malaysian Government treasury bills	458,307	129,937	310,130	129,937
Malaysian Government securities	838,842	195,689	838,842	195,689
Malaysian Government investment certificates	136,143	55,188	-	-
Bankers' acceptances and Islamic accepted bills	2,983,607	2,862,379	2,607,562	2,503,847
Negotiable instruments of deposit	887,971	306,353	443,372	265,676
Khazanah bonds	14,922	47,334	-	-
Quoted securities				
Shares quoted in Malaysia	-	74,052	-	72,336
	7,058,396	4,841,782	5,095,423	3,961,167
Unquoted securities				
Private debt securities	-	14,863	-	14,863
	7,058,396	4,856,645	5,095,423	3,976,030

During the financial year, the Group reclassified a portion of its equity securities from held-for-trading to the available-for-sale category based on current market prices at the relevant dates of the reclassification. The reclassification has been accounted for in accordance with the BNM circular on "Reclassification of Securities under Specific Circumstances" dated 17 October 2008, which is effective from 1 July 2008 until 31 December 2009.

The fair value of the securities reclassified from the held-for-trading category to the available-for-sale category as at the date of reclassification are RM58,052,000 and RM57,049,000 for the Group and the Bank, respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

5 SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Included in the non-interest income (Note 29) is the net losses arising from the change in fair value recognised in the income statement in respect of the reclassified securities:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Net fair value loss	(18,531)	(3,909)	(17,626)	(3,869)

6 AVAILABLE-FOR-SALE SECURITIES

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Money market instruments				
Government treasury bills	379,600	432,902	379,600	432,902
Malaysian Government securities	1,698,183	1,880,380	1,698,182	1,880,380
Malaysian Government investment certificates	728,237	1,505,134	306,236	852,909
Singapore Government securities	24,601	-	24,601	-
Other Government securities	9,081	8,343	9,081	8,343
Khazanah bonds	9,948	9,531	-	-
Cagamas bonds	162,084	972,495	126,656	873,474
Negotiable instrument of deposits	-	16,760	-	16,760
	3,011,734	4,825,545	2,544,356	4,064,768
Quoted securities				
Shares quoted in Malaysia	68,339	693	67,078	693
Loan stocks quoted in Malaysia	1,540	2,346	1,540	2,346
Foreign currency bonds	801,013	769,054	791,278	769,054
	3,882,626	5,597,638	3,404,252	4,836,861
Unquoted securities				
Private and Islamic debt securities	220,805	231,446	166,135	167,693
	4,103,431	5,829,084	3,570,387	5,004,554

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009
(continued)

6 AVAILABLE-FOR-SALE SECURITIES (continued)

Included in the available-for-sale securities are securities transferred from the held-for-trading category during the financial year, with the following fair value as at 30 June 2009 (2008: no such reclassification permitted):

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Fair value	60,750	-	59,548	-

7 HELD-TO-MATURITY SECURITIES

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Money market instruments				
Malaysian Government securities	1,670,241	752,186	1,670,241	752,186
Malaysian Government investment certificates	105,514	60,305	45,306	-
Cagamas bonds	279,873	230,314	279,873	230,314
Negotiable instruments of deposit	4,073,323	1,718,179	4,073,323	1,718,179
	6,128,951	2,760,984	6,068,743	2,700,679
Unquoted securities				
Shares*	38,133	37,402	37,558	36,827
Loan stocks	8,122	9,163	8,122	9,163
Private and Islamic debt securities	196,398	211,799	130,558	145,722
	6,371,604	3,019,348	6,244,981	2,892,391
Accumulated impairment losses	(16,577)	(16,947)	(16,577)	(16,947)
	6,355,027	3,002,401	6,228,404	2,875,444

* As allowed under revised BNM/GP8

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009
(continued)

8 LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Overdrafts	2,091,226	2,435,782	2,086,550	2,425,797
Term loans/financing:				
- Housing and shop loans/financing	20,496,440	19,445,381	16,933,816	16,252,857
- Syndicated term loans/financing	1,685,228	1,422,294	1,458,633	1,206,734
- Hire purchase receivables	5,829,968	6,167,037	3,284,687	3,195,623
- Lease receivables	16,418	22,602	-	-
- Other term loans/financing	1,775,639	2,512,094	1,653,690	2,370,894
Credit/charge card receivables	2,017,519	1,925,986	2,017,519	1,925,986
Bills receivable	211,019	357,255	211,019	354,769
Trust receipts	92,982	139,725	92,982	139,725
Claims on customers under acceptance credits	3,230,902	3,057,364	3,184,696	2,861,952
Block discounting	8,218	8,422	8,218	8,396
Revolving credit	1,219,780	799,314	1,219,780	799,314
Staff loans/financing	96,686	102,020	96,668	101,979
Other loans/financing	45,013	48,339	44,390	47,561
	38,817,038	38,443,615	32,292,648	31,691,587
Unearned interest and income	(3,219,240)	(3,001,136)	(613,549)	(581,463)
Gross loans, advances and financing	35,597,798	35,442,479	31,679,099	31,110,124
Fair value changes arising from fair value hedges	56,892	(52,978)	28,385	(21,063)
Unamortised fair value changes arising from terminated fair value hedges	13,381	17,261	8,714	-
Allowance for bad and doubtful debts and financing:				
- specific	(327,834)	(345,781)	(306,807)	(320,954)
- general	(544,823)	(526,957)	(471,305)	(461,900)
	(872,657)	(872,738)	(778,112)	(782,854)
Total net loans, advances and financing	34,795,414	34,534,024	30,938,086	30,306,207

The Group and the Bank have designated fair value hedges on certain receivables using interest rate futures and interest rate swaps. The total fair value loss of the said interest rate futures and interest rate swaps relating to these hedges at 30 June 2009 amounted to RM38,321,972 (2008: gain of RM48,707,005) and RM17,145,969 (2008: gain of RM20,447,516) at Group and Bank respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009
(continued)

8 LOANS, ADVANCES AND FINANCING (continued)

(i) The maturity structure of loans, advances and financing is as follows:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Maturing within:				
- one year	9,960,873	10,496,680	9,640,868	10,006,271
- one year to three years	2,771,427	2,755,816	1,883,361	1,842,259
- three years to five years	2,926,024	2,921,256	2,174,430	2,065,967
- over five years	19,939,474	19,268,727	17,980,440	17,195,627
	35,597,798	35,442,479	31,679,099	31,110,124

(ii) The loans, advances and financing are disbursed to the following types of customers:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions other than stockbroking companies	86,327	122,659	66,046	102,211
Domestic business enterprises:				
- small medium enterprises	3,250,429	3,505,565	3,019,992	3,160,983
- others	7,101,523	7,200,936	6,601,848	6,590,822
Government and statutory bodies	369	1,592	322	1,533
Individuals	24,048,226	23,477,491	20,935,613	20,163,640
Other domestic entities	16,185	25,976	14,941	23,997
Foreign entities	1,094,739	1,108,260	1,040,337	1,066,938
Gross loans, advances and financing	35,597,798	35,442,479	31,679,099	31,110,124

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

8 LOANS, ADVANCES AND FINANCING (continued)

(iii) Loans, advances and financing analysed by interest rate/profit rate sensitivity are as follows:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Fixed rate:				
- Housing and shop loans/financing	673,204	1,634,344	266,342	1,125,875
- Hire purchase receivables/financing	5,087,484	5,395,285	2,837,970	2,771,276
- Credit card	2,017,519	1,925,986	2,017,519	1,925,986
- Other fixed rate loan/financing	1,027,926	1,099,215	899,715	896,563
Variable rate:				
- Base lending rate plus	23,240,974	22,468,590	22,153,067	21,471,366
- Cost plus	3,500,595	2,800,269	3,454,390	2,800,267
- Other variable rates	50,096	118,790	50,096	118,791
Gross loans, advances and financing	35,597,798	35,442,479	31,679,099	31,110,124

(iv) Loans, advances and financing analysed by their economic purposes are as follows:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Purchase of securities	416,439	517,205	416,094	516,773
Purchase of transport vehicles	4,848,428	5,017,181	2,723,027	2,584,272
Residential property (Housing)	13,922,382	13,275,941	12,800,377	12,278,962
Non-residential property	4,257,268	4,232,178	4,065,035	4,037,636
Personal use	2,710,071	2,363,560	2,651,529	2,303,164
Credit card	2,017,519	1,925,986	2,017,519	1,925,986
Purchase of consumer durables	54	128	54	126
Construction	448,043	541,258	417,826	506,570
Working capital	6,973,922	7,564,139	6,583,980	6,951,781
Other purpose	3,672	4,903	3,658	4,854
	35,597,798	35,442,479	31,679,099	31,110,124

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

8 LOANS, ADVANCES AND FINANCING (continued)

(v) Non-performing loans, advances and financing analysed by their economic purposes are as follows:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Purchase of securities	11,000	13,793	10,780	13,551
Purchase of transport vehicles	48,996	56,043	27,617	32,267
Residential property (Housing)	235,867	229,221	216,978	212,736
Non-residential property	62,761	79,537	62,149	78,597
Personal use	56,872	40,969	56,432	40,843
Credit card	36,446	28,751	36,446	28,751
Construction	32,662	38,592	32,240	38,430
Working capital	315,555	353,496	311,257	349,380
	800,159	840,402	753,899	794,555

(vi) Movements in the non-performing loans and financing are as follows:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
As at beginning of the financial year	840,402	1,033,380	794,555	970,373
Non-performing during the financial year	2,793,625	2,594,538	2,588,994	2,408,810
Performing during the financial year	(2,314,165)	(2,195,316)	(2,147,426)	(2,041,874)
Amount written back in respect of recoveries	(258,963)	(332,256)	(234,726)	(302,442)
Amount written off	(260,982)	(261,664)	(247,740)	(242,032)
Exchange difference	242	1,720	242	1,720
As at end of the financial year	800,159	840,402	753,899	794,555
Specific allowance	(327,834)	(345,781)	(306,807)	(320,954)
Net non-performing loans, advances and financing	472,325	494,621	447,092	473,601
Ratio of non-performing loans to total loans, advances and financing net of specific allowance	1.3%	1.4%	1.4%	1.5%

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

8 LOANS, ADVANCES AND FINANCING (continued)

(vii) Movements in the allowance for bad and doubtful debts and financing are as follows:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Specific allowance				
As at beginning of the financial year	345,781	412,760	320,954	380,780
Allowances made during the financial year	316,410	298,603	300,461	276,805
Amount written back in respect of recoveries	(73,602)	(105,139)	(67,095)	(95,820)
Amount written off	(260,982)	(261,663)	(247,740)	(242,031)
Exchange difference	227	1,220	227	1,220
As at end of the financial year	327,834	345,781	306,807	320,954
General allowance				
As at beginning of the financial year	526,957	481,746	461,900	425,782
Net allowances made during the financial year	17,728	44,443	9,267	35,350
Exchange difference	138	768	138	768
As at end of the financial year	544,823	526,957	471,305	461,900
(as % of total loans, advances and financing less specific allowance)	1.5%	1.5%	1.5%	1.5%

9 OTHER ASSETS

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Foreclosed properties	1,875	2,595	1,875	2,595
Other debtors, deposits and prepayments	322,204	1,005,140	609,553	1,228,029
Interest receivable	97,739	140,316	89,608	134,075
Derivative financial instruments (Note 20)	776,344	733,609	776,344	733,609
	1,198,162	1,881,660	1,477,380	2,098,308

10 STATUTORY DEPOSITS WITH BNM

The non-interest bearing statutory deposits are maintained with BNM in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958, the amount of which is determined at set percentages of total eligible liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

11 INVESTMENT IN SUBSIDIARY COMPANIES

	The Bank	
	2009 RM'000	2008 RM'000
Unquoted shares, at cost:		
- in Malaysia	575,722	619,771
- outside Malaysia	11	11
Arising from translation of a foreign subsidiary company	13	11
	575,746	619,793
Allowance for impairment in value	-	(27,752)
	575,746	592,041
As at beginning of the financial year	592,041	577,041
Add: Subscription for new shares in subsidiary companies	20,705	15,000
Less: Disposal of subsidiary companies	(37,000)	-
As at end of the financial year	575,746	592,041

The subsidiary companies of the Bank are as follows:

Name	Percentage (%) of equity held		Principal activities
	2009	2008	
(a) HLB Nominees (Tempatan) Sdn Bhd	100	100	Agent and nominee for Malaysian clients
(b) HLB Nominees (Asing) Sdn Bhd	100	100	Agent and nominee for foreign clients
(c) HL Bank Nominees (Singapore) Pte Ltd ⁺	100	100	Agent and nominee for clients
(d) HLF Credit (Perak) Berhad and its subsidiary companies:	100	100	Investment holding
(i) Gensource Sdn Bhd (formerly known as Gensource Berhad) and its subsidiary company:	100	100	Dormant
- Pelita Terang Sdn Bhd	100	100	Dormant
(ii) WTB Corporation Sdn Bhd ("WTB") (formerly known as WTB Corporation Berhad) and its subsidiary companies:	100	100	Dormant
- Wah Tat Nominees (Tempatan) Sdn Bhd	100	100	Agent and nominee for Malaysian clients
- Wah Tat Nominees (Asing) Sdn Bhd	100	100	Agent and nominee for foreign clients
- Wah Tat Properties Sdn Bhd* [^]	-	100	Dissolved
(iii) Chew Geok Lin Finance Sdn Bhd (formerly known as Chew Geok Lin Finance Berhad)	100	100	Dormant
(iv) Hong Leong Leasing Sdn Bhd*	100	100	Dormant
(v) HL Leasing Sdn Bhd	100	100	Dormant
(vi) HLB Realty Sdn Bhd	100	100	Real property investment

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

11 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name	Percentage (%) of equity held		Principal activities
	2009	2008	
(e) HLB Trade Services (Hong Kong) Limited ⁺	100	100	Ceased operations
(f) Hong Leong Islamic Bank Berhad	100	100	Islamic Banking business
(g) Hong Leong Tokio Marine Takaful Berhad	55	55	Takaful business
(h) HLB Principal Investments (L) Limited	100	100	Holding of or dealing in offshore securities
(i) Unincorporated trust for ESOS ^{Ω*}	-	-	Special purpose vehicle for ESOS
(j) Famehub Quest Sdn Bhd ^{Ω*}	-	-	Special purpose vehicle
(k) Famehub Capital Sdn Bhd ^{Ω*}	-	-	Special purpose vehicle
(l) Allegra Capital Investments Ltd ^{Ω@*}	-	-	Special purpose vehicle
(m) GoldPearl International Ltd ^{Ω@*}	-	-	Special purpose vehicle

* Not audited by PricewaterhouseCoopers

+ Audited by member firms of PricewaterhouseCoopers International

Ω Deemed subsidiary pursuant to IC 112 - Consolidation: Special Purpose Entities

@ Compartment subsidiary consolidated pursuant to IC 112 - Consolidation: Special Purpose Entities

^ Dissolved on 10 March 2009

All the subsidiary companies are incorporated in Malaysia with the exception of HL Bank Nominees (Singapore) Pte Ltd, which is incorporated in Singapore, HLB Trade Services (Hong Kong) Limited which is incorporated in Hong Kong, and Allegra Capital Investments Ltd and GoldPearl International Ltd which are incorporated in the British Virgin Islands.

12 INVESTMENT IN ASSOCIATED COMPANY

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Unquoted shares outside Malaysia, at cost	946,505	-	946,505	-
Share of results	99,462	-	-	-
Revaluation reserves — available-for-sale securities	(682)	-	-	-
	1,045,285	-	946,505	-

(a) The Group's share of income and expenses of the associate is as follows:

	The Group	
	2009	2008
	RM'000	RM'000
Revenue	343,285	-
Profit after taxation	99,462	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

12 INVESTMENT IN ASSOCIATED COMPANY (continued)

(b) The Group's share of assets and liabilities of the associate is as follows:

	The Group	
	2009	2008
	RM'000	RM'000
Total assets	8,071,351	-
Total liabilities	7,342,850	-
Commitments and contingencies	686,759	-

Details of the associate held by the Bank are as follows:

Name	Percentage (%) of equity held		Principal activities
	2009	2008	
Bank of Chengdu Co., Ltd (formerly known as Chengdu City Commercial Bank Co., Ltd)	20%	-	Commercial banking

13 PREPAID LEASE PAYMENTS

	Leasehold land less than 50 years	Leasehold land 50 years or more	Total
	RM'000	RM'000	RM'000
The Group			
2009			
Cost			
As at the beginning/end of the financial year	5,271	3,876	9,147
Amortisation			
As at the beginning of the financial year	2,091	787	2,878
Amortisation during the financial year	45	39	84
As at the end of the financial year	2,136	826	2,962
Net book value as at 30 June 2009	3,135	3,050	6,185

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

13 PREPAID LEASE PAYMENTS (continued)

	Leasehold land less than 50 years	Leasehold land 50 years or more	Total
	RM'000	RM'000	RM'000
The Group			
2008			
Cost			
As at the beginning of the financial year	5,271	4,396	9,667
Disposals	-	(520)	(520)
As at the end of the financial year	5,271	3,876	9,147
Amortisation			
As at the beginning of the financial year	2,046	806	2,852
Amortisation during the financial year	45	56	101
Disposals	-	(75)	(75)
As at the end of the financial year	2,091	787	2,878
Net book value as at 30 June 2008	3,180	3,089	6,269
The Bank			
2009			
Cost			
As at the beginning/end of the financial year	4,011	2,825	6,836
Amortisation			
As at the beginning of the financial year	832	618	1,450
Amortisation during the financial year	45	30	75
As at end of the financial year	877	648	1,525
Net book value as at 30 June 2009	3,134	2,177	5,311
2008			
Cost			
As at the beginning of the financial year	4,011	3,345	7,356
Disposals	-	(520)	(520)
As at the end of the financial year	4,011	2,825	6,836
Amortisation			
As at the beginning of the financial year	787	646	1,433
Amortisation during the financial year	45	47	92
Disposals	-	(75)	(75)
As at the end of the financial year	832	618	1,450
Net book value as at 30 June 2008	3,179	2,207	5,386

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009
(continued)

13 PREPAID LEASE PAYMENTS (continued)

Future amortisation of prepaid lease payments are as follows:

	2009		2008	
	Less than 50 years RM'000	50 years or more RM'000	Less than 50 years RM'000	50 years or more RM'000
The Group				
- Not later than 1 year	105	78	105	88
- Later than 1 year and not later than 5 years	422	310	422	310
- Later than 5 years	2,608	2,662	2,653	2,691
	3,135	3,050	3,180	3,089
The Bank				
- Not later than 1 year	80	57	80	57
- Later than 1 year and not later than 5 years	321	226	321	226
- Later than 5 years	2,733	1,894	2,778	1,924
	3,134	2,177	3,179	2,207

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

14 PROPERTY AND EQUIPMENT

The Group	Freehold land	Buildings on freehold land	Buildings on leasehold land less than 50 years	Buildings on leasehold land 50 years or more	Office furniture, fittings, equipment and renovations	Computer equipment	Motor vehicles	Capital work in progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2009									
Cost									
As at beginning of the financial year	45,758	33,490	2,683	18,820	167,860	290,812	8,523	80,271	648,217
Additions	-	-	-	-	13,981	23,383	1,815	31,000	70,179
Disposals	(384)	(742)	-	-	(2,794)	(4,256)	(2,154)	-	(10,330)
Exchange fluctuation	-	-	-	-	43	173	9	-	225
As at end of the financial year	45,374	32,748	2,683	18,820	179,090	310,112	8,193	111,271	708,291
Accumulated depreciation									
As at beginning of the financial year	-	5,895	703	3,269	138,282	205,431	4,319	-	357,899
Charge for the financial year	-	346	36	376	12,100	31,529	1,408	-	45,795
Disposals	-	(290)	-	-	(2,826)	(3,540)	(1,760)	-	(8,416)
Exchange fluctuation	-	-	-	-	38	129	8	-	175
As at end of the financial year	-	5,951	739	3,645	147,594	233,549	3,975	-	395,453
Net book value as at 30 June 2009	45,374	26,797	1,944	15,175	31,496	76,563	4,218	111,271	312,838
2008									
Cost									
As at beginning of the financial year	42,896	34,307	2,683	19,876	165,070	241,510	11,535	67,902	585,779
Additions	3,980	1,420	-	-	14,166	62,962	1,122	12,415	96,065
Disposals	(1,118)	(2,237)	-	(1,056)	(11,914)	(14,227)	(4,184)	(46)	(34,782)
Exchange fluctuation	-	-	-	-	538	567	50	-	1,155
As at end of the financial year	45,758	33,490	2,683	18,820	167,860	290,812	8,523	80,271	648,217
Accumulated depreciation									
As at beginning of the financial year	-	6,056	667	3,101	135,089	190,060	5,252	-	340,225
Charge for the financial year	-	374	36	363	13,654	28,373	1,958	-	44,758
Disposals	-	(535)	-	(195)	(10,905)	(13,496)	(2,930)	-	(28,061)
Exchange fluctuation	-	-	-	-	444	494	39	-	977
As at end of the financial year	-	5,895	703	3,269	138,282	205,431	4,319	-	357,899
Net book value as at 30 June 2008	45,758	27,595	1,980	15,551	29,578	85,381	4,204	80,271	290,318

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

14 PROPERTY AND EQUIPMENT (continued)

The Bank	Freehold land	Buildings on freehold land	Buildings on leasehold land less than 50 years	Buildings on leasehold land 50 years or more	Office furniture, fittings, equipment and renovations	Computer equipment	Motor vehicles	Capital work in progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2009									
Cost									
As at beginning of the financial year	36,183	31,033	2,674	14,976	163,632	289,450	7,564	80,247	625,759
Additions	-	-	-	-	13,634	23,058	1,685	30,800	69,177
Disposals	(384)	(742)	-	-	(2,625)	(4,256)	(1,825)	-	(9,832)
Exchange fluctuation	-	-	-	-	43	173	9	-	225
As at end of the financial year	35,799	30,291	2,674	14,976	174,684	308,425	7,433	111,047	685,329
Accumulated depreciation									
As at beginning of the financial year	-	5,098	704	1,473	135,484	204,665	4,096	-	351,520
Charge for the financial year	-	302	36	299	11,561	31,319	1,248	-	44,765
Disposals	-	(290)	-	-	(2,667)	(3,540)	(1,646)	-	(8,143)
Exchange fluctuation	-	-	-	-	38	129	8	-	175
As at end of the financial year	-	5,110	740	1,772	144,416	232,573	3,706	-	388,317
Net book value as at 30 June 2009	35,799	25,181	1,934	13,204	30,268	75,852	3,727	111,047	297,012
2008									
Cost									
As at beginning of the financial year	33,321	31,850	2,674	16,032	161,157	240,343	10,802	67,833	564,012
Additions	3,980	1,420	-	-	13,815	62,761	428	12,414	94,818
Disposals	(1,118)	(2,237)	-	(1,056)	(11,878)	(14,221)	(3,716)	-	(34,226)
Exchange fluctuation	-	-	-	-	538	567	50	-	1,155
As at end of the financial year	36,183	31,033	2,674	14,976	163,632	289,450	7,564	80,247	625,759
Accumulated depreciation									
As at beginning of the financial year	-	5,304	668	1,382	132,765	189,464	5,039	-	334,622
Charge for the financial year	-	329	36	286	13,180	28,198	1,752	-	43,781
Disposals	-	(535)	-	(195)	(10,905)	(13,491)	(2,734)	-	(27,860)
Exchange fluctuation	-	-	-	-	444	494	39	-	977
As at end of the financial year	-	5,098	704	1,473	135,484	204,665	4,096	-	351,520
Net book value as at 30 June 2008	36,183	25,935	1,970	13,503	28,148	84,785	3,468	80,247	274,239

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

15 INTANGIBLE ASSETS

	Computer software	Computer software
	2009	2008
	RM'000	RM'000
The Group		
Cost		
As at beginning of the financial year	116,434	109,931
Additions	9,588	12,523
Write-off	-	(6,020)
As at end of the financial year	126,022	116,434
Amortisation		
As at beginning of the financial year	83,172	76,108
Amortisation during the year	13,302	12,997
Write-off	-	(5,933)
As at end of the financial year	96,474	83,172
Net book value as at 30 June	29,548	33,262
The Bank		
Cost		
As at beginning of the financial year	114,087	108,091
Additions	9,528	12,016
Write-off	-	(6,020)
As at end of the financial year	123,615	114,087
Amortisation		
As at beginning of the financial year	82,578	75,920
Amortisation during the year	12,824	12,591
Write-off	-	(5,933)
As at end of the financial year	95,402	82,578
Net book value as at 30 June	28,213	31,509

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

16 DEFERRED TAXATION

The movements in deferred tax assets and liabilities during the financial year are as follows:

	General allowance RM'000	Excess of capital allowance over depreciation RM'000	Available- for-sale securities RM'000	Other temporary differences RM'000	Total RM'000
Deferred tax assets/(liabilities)					
The Group					
2009					
As at beginning of the financial year	131,740	(9,691)	4,591	46,513	173,153
Credited/(charged) to income statement (Note 34)	4,467	1,749	-	(29,768)	(23,552)
Transferred to equity	-	-	4,012	-	4,012
As at end of the financial year	136,207	(7,942)	8,603	16,745	153,613
2008					
As at beginning of the financial year	125,254	(9,672)	3,259	46,120	164,961
Credited/(charged) to income statement (Note 34)	6,486	(19)	-	393	6,860
Transferred to equity	-	-	1,332	-	1,332
As at end of the financial year	131,740	(9,691)	4,591	46,513	173,153
The Bank					
2009					
As at beginning of the financial year	115,475	(9,691)	4,888	44,631	155,303
Credited/(charged) to income statement (Note 34)	2,351	1,749	-	(29,051)	(24,951)
Transferred to equity	-	-	4,329	-	4,329
As at end of the financial year	117,826	(7,942)	9,217	15,580	134,681
2008					
As at beginning of the financial year	110,703	(9,672)	3,416	44,631	149,078
Credited/(charged) to income statement (Note 34)	4,772	(19)	-	-	4,753
Transferred to equity	-	-	1,472	-	1,472
As at end of the financial year	115,475	(9,691)	4,888	44,631	155,303

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

17 GENERAL AND FAMILY TAKAFUL FUNDS

The Group	General Takaful Fund	Family Takaful Fund	Total
	RM'000	RM'000	RM'000
2009			
Assets			
Cash and bank balances	104	354	458
Investments	1,928	17,665	19,593
Receivables	1,614	3,555	5,169
Investment-linked business assets	-	192,117	192,117
	3,646	213,691	217,337
Liabilities			
Payables	1,884	913	2,797
Outstanding claims	279	498	777
Investment-linked business liabilities	-	4,704	4,704
	2,163	6,115	8,278
General and family takaful participants' funds	1,483	207,576	209,059
	3,646	213,691	217,337
2008			
Assets			
Cash and bank balances	252	4,070	4,322
Investments	411	9,053	9,464
Receivables	88	1,647	1,735
Investment-linked business assets	-	148,348	148,348
	751	163,118	163,869
Liabilities			
Payables	528	1,210	1,738
Investment-linked business liabilities	-	1,494	1,494
	528	2,704	3,232
General and family takaful participants' funds	223	160,414	160,637
	751	163,118	163,869

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

17 GENERAL AND FAMILY TAKAFUL FUNDS (continued)

(a) The general takaful revenue account for the financial year is as follows:

	The Group	
	2009	2008
	RM'000	RM'000
Gross contributions	4,454	1,270
Retakaful	(3,089)	(675)
Net contributions	1,365	595
Increase in unearned contribution reserves	(767)	(379)
Earned contributions	598	216
Net claims incurred	(129)	(230)
Wakalah fee	(1,246)	(383)
Commission income	890	89
Underwriting surplus/(deficit)	113	(308)
Net investment income	23	20
General takaful participants' funds for the financial year	136	(288)
General takaful participants' funds at beginning of the financial year	(317)	(29)
Movement in Qardhul Hassan Loan	356	-
Participants' fund at end of the financial year	175	(317)
Unearned contribution reserves at end of the financial year	1,308	540
General takaful fund at end of the financial year	1,483	223

(b) The family takaful revenue account for the financial year is as follows:

	The Group	
	2009	2008
	RM'000	RM'000
Gross contributions	11,234	18,270
Retakaful	(691)	(409)
Net contributions	10,543	17,861
Benefits paid and payable:		
Death	(1,890)	(2,005)
Wakalah fee	(2,218)	(3,531)
Other operating expenses — net	(16)	(18)
Inward retakaful surplus sharing with ceding takaful operator	(81)	278
	(2,315)	(3,271)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

17 GENERAL AND FAMILY TAKAFUL FUNDS (continued)

(b) The family takaful revenue account for the financial year is as follows: (continued)

	The Group	
	2009	2008
	RM'000	RM'000
Net investment income	394	264
Surplus before taxation	6,732	12,849
Taxation	(89)	(92)
Surplus after taxation before surplus from investment-linked business	6,643	12,757
Surplus after taxation from investment-linked business	40,560	142,195
Surplus after taxation/family takaful fund at end of the financial year	47,203	154,952
Family takaful fund at the beginning of the financial year	160,414	5,462
Movement in Qardhul Hassan Loan	(41)	-
Family takaful fund at the end of the financial year	207,576	160,414

(c) Movements in the family takaful fund are as follows:

	The Group	
	2009	2008
	RM'000	RM'000
Liabilities to participants:		
Participants' Account ("PA")		
As at beginning of the financial year	159,775	4,810
Increase in PA	46,488	154,965
As at end of the financial year	206,263	159,775
Participants' Special Account ("PSA")		
As at beginning of the financial year	639	652
Increase/(decrease) in PSA	674	(13)
As at end of the financial year	1,313	639
Liabilities to participants as at end of the financial year	207,576	160,414
Unallocated surplus:		
As at beginning of the financial year	-	-
Surplus after taxation	47,203	154,952
Movement in Qardhul Hassan Loan	(41)	-
Increase in liabilities to participants	(47,162)	(154,952)
Unallocated surplus carried forward	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009
(continued)

17 GENERAL AND FAMILY TAKAFUL FUNDS (continued)

(c) Movements in the family takaful fund are as follows: (continued)

	The Group	
	2009	2008
	RM'000	RM'000
Family takaful fund as at end of the financial year:		
As at beginning of the financial year	160,414	5,462
Increase in liabilities to participants for the financial year	47,162	154,952
As at end of the financial year	207,576	160,414

18 DEPOSITS FROM CUSTOMERS

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Fixed deposits	36,857,055	33,984,323	31,670,086	29,766,590
Negotiable instruments of deposit	3,526,455	1,697,204	2,359,236	1,215,964
	40,383,510	35,681,527	34,029,322	30,982,554
Demand deposits	6,807,711	6,000,146	6,447,625	5,651,734
Savings deposits	7,841,769	7,491,714	6,691,831	6,457,812
Short term corporate placements	11,908,438	13,159,163	11,908,438	13,159,163
Others	641,929	215,397	641,929	215,397
	67,583,357	62,547,947	59,719,145	56,466,660

(i) The maturity structure of fixed deposits and negotiable instruments of deposit are as follows:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Due within:				
- six months	31,130,663	25,485,568	25,287,814	22,024,171
- six months to one year	8,557,265	9,251,814	8,151,108	8,230,349
- one year to three years	695,582	944,145	590,400	728,034
	40,383,510	35,681,527	34,029,322	30,982,554

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

18 DEPOSITS FROM CUSTOMERS (continued)

(ii) The deposits are sourced from the following customers:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	714,312	985,187	550,071	380,161
Business enterprises	33,264,462	30,087,451	27,262,391	25,997,556
Individuals	32,608,117	30,877,001	31,024,913	29,592,888
Others	996,466	598,308	881,770	496,055
	67,583,357	62,547,947	59,719,145	56,466,660

19 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Licensed banks	2,172,604	5,891,409	2,142,604	5,302,409
Licensed investment banks	29,700	481,167	29,700	291,167
Other financial institutions	201,855	-	201,855	-
	2,404,159	6,372,576	2,374,159	5,593,576

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009
(continued)

20 DERIVATIVE FINANCIAL INSTRUMENTS

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Derivatives at fair value through profit or loss:				
- interest rate swaps	402,501	305,444	402,501	329,536
- cross currency swaps	175,031	188,907	175,031	188,907
- foreign currency forwards	159,712	144,937	159,712	144,937
- foreign currency options	1,455	11,792	1,455	11,792
- futures	3,090	15,689	3,090	15,689
- equity options	75	1,102	75	1,102
- cap/floors	-	569	-	569
Derivatives designated as fair value hedge:				
- interest rate swaps	34,480	60,873	34,480	36,781
- futures	-	4,296	-	4,296
Total derivative financial instruments assets	776,344	733,609	776,344	733,609
Derivatives at fair value through profit or loss:				
- interest rate swaps	(431,320)	(368,326)	(431,320)	(368,326)
- cross currency swaps	(69,484)	(67,757)	(69,484)	(67,757)
- foreign currency forwards	(84,196)	(98,620)	(84,196)	(98,620)
- foreign currency options	(842)	(6,586)	(842)	(6,586)
- equity options	(75)	(1,102)	(75)	(1,102)
- futures	(11,989)	(347)	(11,989)	(347)
Derivatives designated as fair value hedge:				
- interest rate swaps	(39,567)	(35,321)	(39,567)	(35,321)
- futures	(12,694)	(5,147)	(12,694)	(5,147)
Total derivative financial instruments liabilities	(650,167)	(583,206)	(650,167)	(583,206)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

21 OTHER LIABILITIES

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Zakat	55	79	-	-
Profit equalisation reserve (a)	4,691	4,284	-	-
Post employment benefits obligation				
- defined contribution plan	3,181	3,385	3,181	3,385
Interest payable	261,417	202,400	228,736	170,809
Loan advance payment	802,122	525,480	765,762	503,663
Amount due to subsidiary companies	-	-	43,671	42,593
Treasury clearing	30,671	219,235	30,671	219,235
Derivative financial instruments (Note 20)	650,167	583,206	650,167	583,206
Others	641,040	552,540	604,967	487,630
	2,393,344	2,090,609	2,327,155	2,010,521

The amounts due to subsidiary companies are unsecured, interest free and repayable on demand.

(a) Profit equalisation reserve

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Balance as at 1 July	4,284	2,564	-	-
Amount written back during the financial year	(19,963)	(1,623)	-	-
Provision made during the financial year	20,370	3,343	-	-
Balance as at 30 June	4,691	4,284	-	-

22 SUBORDINATED OBLIGATIONS

	The Group and The Bank	
	2009 RM'000	2008 RM'000
Subordinated obligations, at par	749,250	749,250
Fair value changes arising from fair value hedges	-	18,250
Foreign exchange translations	(45,218)	(95,096)
	704,032	672,404
Add: Unamortised fair value changes arising from terminated fair value hedge	25,766	-
Less: Unaccreted discount	(232)	(654)
	729,566	671,750

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

22 SUBORDINATED OBLIGATIONS (continued)

Subordinated obligations are unsecured and are redeemable at par upon maturity on 3 August 2015, or at the option of the Bank, subject to prior written approval of BNM, on 3 August 2010 at the principal amount plus accrued interest (if applicable).

The bonds bear an interest of 5.25% per annum, payable semi-annually, with a callable step-up in 2010, at a rate per annum equal to the US Treasury Rate plus 2.72%.

23 SHARE CAPITAL

		The Group and The Bank	
		2009	2008
		RM'000	RM'000
Authorised:			
3,000,000,000 shares of RM1.00 each		3,000,000	3,000,000
Issued and fully paid:			
Ordinary shares of RM1.00 each			
As at beginning, end of the financial year		1,580,107	1,580,107

24 RESERVES

		The Group		The Bank	
		2009	2008	2009	2008
		RM'000	RM'000	RM'000	RM'000
Retained profits	(a)	2,428,953	1,821,618	2,136,060	1,737,205
Share premium		539,664	539,664	539,664	539,664
Statutory reserve	(b)	1,860,821	1,823,644	1,741,612	1,741,612
Share options reserve	(c)	13,022	2,720	13,022	2,720
Fair value reserve	(d)	(26,701)	(14,701)	(27,654)	(14,663)
Exchange fluctuation reserve	(e)	37,050	35,529	35,529	35,529
		2,423,856	2,386,856	2,302,173	2,304,862
		4,852,809	4,208,474	4,438,233	4,042,067

- (a) Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

However, companies who have not utilised fully their Section 108 credits balances up to 31 December 2007 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013 whichever is earlier unless they opt to disregard the Section 108 credits under the special transitional provisions of the Finance Act 2007 and pay single-tier dividends. As at 30 June 2009, subject to agreement with the tax authorities, the Bank has sufficient Section 108 tax credits and tax exempt income to pay in full all of the retained profits of the Bank as franked and exempt dividends.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

24 RESERVES (continued)

- (b) The statutory reserve is maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and is not distributable as cash dividend.
- (c) The share options reserve arose from share options granted to eligible executives of the Bank pursuant to the ESOS. Terms of the ESOS are disclosed in Note 48 to the financial statements.
- (d) Movement of the fair value reserve is as follows:

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At 1 July	(14,701)	(9,508)	(14,663)	(9,720)
Net gain from change in fair value	20,315	234	12,577	344
Net loss transferred to net profit on disposal and impairment	(35,645)	(6,759)	(29,897)	(6,759)
Deferred taxation	4,012	1,332	4,329	1,472
Acquisition of associated company	(682)	-	-	-
Net change in fair value reserve	(12,000)	(5,193)	(12,991)	(4,943)
	(26,701)	(14,701)	(27,654)	(14,663)

- (e) Currency translation differences arising from translation of the Bank's foreign branches are shown under exchange fluctuation reserve.

25 TREASURY SHARES

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Purchase of own shares pursuant to Section 67A, Companies Act, 1965	431,729	431,719	431,729	431,729
Treasury shares for ESOS scheme	267,323	267,322	267,323	267,322
	699,052	699,041	699,052	699,041

- (a) Purchase of own shares pursuant to Section 67A of the Companies Act, 1965

The shareholders of the Bank, via an ordinary resolution passed at the Extraordinary General Meeting held on 8 October 2008, had approved the Bank's plan to purchase its own shares up to 10% of existing total issued and paid-up share capital. The Directors of the Bank are committed to enhance the value of the Bank to its shareholders and believe that the share buyback plan can be applied in the best interests of the Bank and its shareholders.

During the financial year, the Bank bought back 2,000 (2008: 676,000) of its issued share capital, at an average price of RM5.45 per share (2008: RM5.81), from the open market. The total consideration paid for the share buyback of its own shares, including transaction costs, was RM10,895 (2008: RM3,930,403) and was financed by internally generated funds. As at 30 June 2009, the total number of shares bought was 81,092,700 (2008: 81,090,700) and the shares held were accounted as treasury shares in accordance with the provisions of Section 67A of the Companies Act, 1965.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

25 TREASURY SHARES (continued)

(a) Purchase of own shares pursuant to Section 67A of the Companies Act, 1965 (continued)

There was no resale or cancellation of treasury shares during the financial year. The adjusted number of issued and fully paid-up shares with voting rights as at 30 June 2009 after deducting treasury shares purchased is 1,499,014,334 shares (2008: 1,499,016,334). Treasury shares have no rights to vote, dividends and participation in other distribution.

(b) Treasury shares for ESOS scheme

In 2006, the Bank entered into a Trust for ESOS purposes established via the signing of a Trust Deed on 23 January 2006 with an appointed Trustee in conjunction with the establishment of an Executive Share Option Scheme ("ESOS"). 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.

FRS132 — Financial Instruments: Presentation and Disclosure requires that if an entity reacquires its own equity instruments, those instruments shall be deducted from equity and are not recognised as a financial asset regardless of the reason for which they are reacquired.

In accordance with FRS 132, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares for ESOS" in the equity on the balance sheet. During the financial year, there were no shares bought back by the appointed Trustee. As at 30 June 2009, the total number of shares held was 50,000,000 (2008: 50,000,000).

26 INTEREST INCOME

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- interest income other than recoveries from NPLs	1,699,410	1,673,909	1,705,728	1,673,691
- recoveries from non-performing loans and advances	111,659	126,192	111,659	126,192
Money at call and deposit placements with financial institutions	670,996	804,080	671,681	804,765
Securities purchased under resale agreements	1,088	62,371	1,088	62,371
Securities held at fair value through profit or loss	21,951	35,075	22,174	35,288
Available-for-sale securities	91,119	110,839	90,176	110,839
Held-to-maturity securities	145,010	35,982	145,010	35,982
Others	1,293	7,128	1,220	7,128
	2,742,526	2,855,576	2,748,736	2,856,256
Accretion of discounts less amortisation of premium	203,169	216,986	203,169	216,986
Net interest suspended	(14,903)	(8,457)	(14,903)	(8,457)
	188,266	208,529	188,266	208,529
	2,930,792	3,064,105	2,937,002	3,064,785

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

27 INTEREST EXPENSE

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	80,415	129,527	81,100	130,212
Deposits from other customers	1,459,900	1,507,166	1,461,426	1,509,828
Subordinated bonds	36,631	34,201	36,631	34,201
Syndicated short term loan	-	11,678	-	11,678
Others	726	2,374	726	2,374
	1,577,672	1,684,946	1,579,883	1,688,293

28 INCOME FROM ISLAMIC BANKING BUSINESS

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	322,131	289,720	-	-
Income derived from investment of shareholders' funds	41,410	39,411	-	-
Profit equalisation reserve	(407)	(1,720)	-	-
Income attributable to depositors	(186,793)	(167,367)	-	-
	176,341	160,044	-	-

29 NON-INTEREST INCOME

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Fee income				
Commissions	65,566	86,036	65,494	86,036
Service charges and fees	20,448	33,980	20,448	33,980
Guarantee fees	5,217	5,674	5,217	5,674
Credit card related fees	125,995	94,493	125,995	94,493
Corporate advisory fees	3,926	41,572	3,926	41,572
Commitment fees	12,819	13,260	12,889	13,325
Other fee income	64,861	51,790	64,861	51,790
	298,832	326,805	298,830	326,870

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009
(continued)

29 NON-INTEREST INCOME (continued)

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Net income from securities				
Net realised gain from sale/redemption of securities portfolio:				
- securities held at fair value through profit or loss and derivatives	18,052	21,937	7,472	21,937
- available-for-sale securities	29,897	6,759	29,897	6,759
- held-to-maturity securities	316	1,966	316	1,966
Dividend income from:				
- securities held at fair value through profit or loss	1,880	6,472	1,880	6,472
- available-for-sale securities	1,576	12	1,576	12
- held-to-maturity securities	3,451	3,111	3,451	3,111
Net unrealised gain/(loss) on revaluation of securities held at fair value through profit or loss and derivatives	10,250	(2,499)	(40,329)	20,913
Net realised loss on fair value changes arising from fair value hedges	(14,851)	(30,856)	(4,273)	(27,212)
Net unrealised gain on fair value changes arising from fair value hedges	15,858	7,883	11,450	11,965
	66,429	14,785	11,440	45,923
Other income				
Foreign exchange gain	174,606	111,246	175,229	111,246
Rental income	282	329	282	329
Gain on disposal of property and equipment	1,078	1,692	1,078	1,692
Profit from takaful investments	7,636	10,872	-	-
Gain from disposal of subsidiaries	-	-	4,241	-
Other non-operating income	20,648	13,408	20,437	15,007
	204,250	137,547	201,267	128,274
	569,511	479,137	511,537	501,067

30 OVERHEAD EXPENSES

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Personnel costs	435,724	422,043	388,464	387,123
Establishment costs	184,985	183,714	173,437	173,032
Marketing expenses	122,131	119,530	114,595	106,803
Administration and general expenses	133,715	123,475	129,534	119,236
	876,555	848,762	806,030	786,194

The overhead expenses of the Bank are net of shared services costs charged to HLISB.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

30 OVERHEAD EXPENSES (continued)

(i) Personnel costs comprise the following:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Salaries, bonus and allowances	396,148	385,742	353,136	354,835
Other employees benefits	39,576	36,301	35,328	32,288
	435,724	422,043	388,464	387,123

(ii) Establishment costs comprise the following:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Depreciation of property and equipment	45,795	44,758	44,765	43,781
Amortisation of intangible assets	13,302	12,997	12,824	12,591
Rental of premises	41,867	42,224	39,395	39,953
Information technology expenses	43,486	42,593	42,646	40,772
Others	40,535	41,142	33,807	35,935
	184,985	183,714	173,437	173,032

(iii) Marketing expenses comprise the following:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Advertisement and publicity	62,188	59,029	61,569	59,060
Handling fees	11,250	16,781	7,630	8,832
Credit card related fees	35,922	27,829	35,922	27,829
Others	12,771	15,891	9,474	11,082
	122,131	119,530	114,595	106,803

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

30 OVERHEAD EXPENSES (continued)

(iv) Administration and general expenses comprise the following:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Teletransmission expenses	9,839	9,782	9,732	9,688
Stationery and printing expenses	11,812	15,506	11,558	15,317
Professional fees	40,235	32,969	38,817	31,718
Insurance fees	7,353	10,623	7,076	10,161
Stamp, postage and courier	8,682	10,405	8,689	10,622
Others	55,794	44,190	53,662	41,730
	133,715	123,475	129,534	119,236

The above expenditure includes the following statutory disclosures:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (Note 33)	5,752	4,352	4,385	4,021
Hire of equipment	8,553	8,465	8,515	8,444
Auditors' remuneration:				
Malaysian firm				
- statutory audit	625	475	501	388
- other fees	296	155	224	121
PwC overseas affiliated firms				
- statutory audit	187	116	183	111
- other fees	308	400	305	398
Other audit firm's fees	5	11	-	-
Loss on disposal of property and equipment	49	1,067	49	1,083
Amortisation of prepaid lease payments	84	101	75	92
Property and equipment written off	8	52	8	52
Intangible assets written off	-	87	-	87
Allowances for impairment made/(written back) on available-for-sale securities	(902)	1,009	(902)	1,009
Impairment losses on held-to-maturity securities	280	-	280	-
Share option expenses	10,302	2,720	10,302	2,720

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

31 ALLOWANCES FOR LOSSES ON LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Allowance for bad and doubtful debts on loans and financing:				
(a) Specific allowance				
- made during the financial year	316,410	298,603	300,461	276,805
- written back	(73,602)	(105,139)	(67,095)	(95,820)
(b) General allowance				
- made during the financial year	17,728	44,443	9,267	35,350
	260,536	237,907	242,633	216,335
Bad debts on loans and financing:				
- written off	9,015	7,515	8,428	7,186
- recovered	(112,837)	(86,895)	(107,764)	(82,186)
	(103,822)	(79,380)	(99,336)	(75,000)
	156,714	158,527	143,297	141,335

The Bank uses a "Loss Given Default" ("LGD") approach to arrive at the level of specific allowances required for the following two categories of non-performing loans (NPLs) secured on properties:

- NPLs aged 5 to 7 years and
- NPLs aged more than 7 years

The LGD data is derived from the historical data of the Bank for NPLs that have been successfully resolved and is used to determine the percentage reduction of the force sale value or valuation for the collateral of the said NPLs.

32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties and relationships

The related parties of and their relationships with the Bank are as follows:

<u>Related parties</u>	<u>Relationship</u>
Hong Leong Company (Malaysia) Berhad	Ultimate holding company
Hong Leong Share Registration Services Sdn Bhd, HLCM Capital Sdn Bhd, Hong Leong Fund Management Sdn Bhd and HL Management Co Sdn Bhd	Subsidiary companies of ultimate holding company
Hong Leong Financial Group Berhad	Holding company

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Related parties and relationships (continued)

Related parties	Relationship
Subsidiary companies of Hong Leong Financial Group Berhad as disclosed in its financial statements	Subsidiary companies of holding company
Hong Leong Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
Hume Industries (Malaysia) Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
Guoco Group Limited and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
GuocoLand (Malaysia) Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
Subsidiary companies of the Bank as disclosed in Note 11	Subsidiary companies of the Bank
Rajang Plaza Sdn Bhd, Zenith Mint Enterprise Sdn Bhd, Chew H Hua Realty Sdn Bhd, Geok Kheng Holdings Sdn Bhd and Zenith Mint Cinema Sdn Bhd	Connected persons to Mr Chew Peng Cheng, Non-Executive Director
Key management personnel	<p>The key management personnel of the Bank consists of:</p> <ul style="list-style-type: none"> - All Directors of the Bank and four members of senior management of the Bank
Related parties of key management personnel (deemed as related to the Bank)	<p>(i) Close family members and dependents of key management personnel</p> <p>(ii) Entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members</p>

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Related party transactions and balances

A number of banking transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and at market rates.

Group	Parent company	Other related companies	Key management personnel
2009	RM'000	RM'000	RM'000
Income			
Commitment fee and bank charges	-	-	-
Commission on Group products/services sold	-	11,304	-
Others	-	941	-
	-	12,245	-
Expenditure			
Rental and maintenance	-	13,299	-
Insurance	-	1,263	-
Interest on deposits	-	120	692
Interest paid on short term corporate placement	-	32,923	437
Management fees	4,889	13,150	-
Other miscellaneous expenses	114	619	-
	5,003	61,374	1,299
Amounts due from			
Credit card balances	-	-	157
Others	-	1,487	-
	-	1,487	157
Amounts due to			
Current account and fixed deposits	335	105,476	25,069
Short term corporate placement	-	911,235	21,300
	335	1,016,711	46,369
Payments made in relation to capital work in progress	-	86,294	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Related party transactions and balances (continued)

Group	Parent company	Other related companies	Key management personnel
2008	RM'000	RM'000	RM'000
Income			
Commitment fee and bank charges	-	-	24
Commission on Group products/services sold	-	13,983	-
Others	-	959	-
	-	14,942	24
Expenditure			
Rental and maintenance	-	13,516	-
Insurance	-	1,804	-
Interest on deposits	-	350	24
Interest paid on short term corporate placement	-	28,868	3,522
Management fees	4,069	10,622	-
Other miscellaneous expenses	530	1,650	-
	4,599	56,810	3,546
Amounts due from			
Credit card balances	-	-	160
Others	-	2,799	-
	-	2,799	160
Amounts due to			
Current account and fixed deposits	651	119,311	16,467
Short term corporate placement	-	1,080,999	38,082
	651	1,200,310	54,549
Payments made in relation to capital work in progress	-	34,518	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009
(continued)

32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Related party transactions and balances (continued)

The Bank	Parent company	Subsidiary companies	Other related companies	Key management personnel
2009	RM'000	RM'000	RM'000	RM'000
Income				
Interest:				
- loans	-	68	-	-
- interbank placement	-	908	-	-
Commitment fee and bank charges	-	70	-	-
Commission on Group products/services sold	-	1,136	11,304	-
Reimbursement of shared service cost	-	43,675	-	-
Management fees	-	50	-	-
Others	-	-	941	-
	-	45,907	12,245	-
Expenditure				
Rental and maintenance	-	937	13,299	-
Insurance	-	-	1,263	-
Interest on deposits	-	291	120	690
Interest paid on short term corporate placement	-	-	32,923	437
Management fees	4,889	-	13,150	-
Other miscellaneous expenses	114	-	619	-
	5,003	1,228	61,374	1,127
Amounts due from				
Overdraft	-	745	-	-
Interbank placement	-	48,671	-	-
Credit card balances	-	-	-	157
Others	-	263,760	1,487	-
	-	313,176	1,487	157
Amounts due to				
Current account and fixed deposits	335	28,228	105,476	24,951
Short term corporate placement	-	-	911,235	21,300
Others	-	43,671	252	-
	335	71,899	1,016,963	46,251
Payments made in relation to capital work in progress	-	-	86,294	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009
(continued)

32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Related party transactions and balances (continued)

The Bank	Parent company	Subsidiary companies	Other related companies	Key management personnel
2008	RM'000	RM'000	RM'000	RM'000
Income				
Interest:				
- loans	-	112	-	-
- interbank placement	-	898	-	-
Commitment fee and bank charges	-	65	-	24
Commission on Group products/services sold	-	-	13,983	-
Reimbursement of shared service cost	-	25,771	-	-
Others	-	-	959	-
	-	26,846	14,942	24
Expenditure				
Rental and maintenance	-	918	13,516	-
Insurance	-	-	1,804	-
Interest on deposits	-	429	350	24
Interest paid on short term corporate placement	-	-	28,868	3,522
Management fees	4,069	-	10,622	-
Other miscellaneous expenses	530	-	1,650	-
	4,599	1,347	56,810	3,546
Amounts due from				
Overdraft	-	1,245	-	-
Interbank placement	-	48,671	-	-
Credit card balances	-	-	-	160
Others	-	242,005	2,799	-
	-	291,921	2,799	160
Amounts due to				
Current account and fixed deposits	651	78,511	119,311	16,312
Short term corporate placement	-	-	1,080,999	38,082
Others	-	42,593	-	-
	651	121,104	1,200,310	54,394
Payments made in relation to capital work in progress	-	-	34,518	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Related party transactions and balances (continued)

	The Group	
	2009	2008
	RM'000	RM'000
The approved limit on loans, advances and financing for key management personnel	-	500

(c) Key management personnel

Key management compensation

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Salaries and other short-term employee benefits	9,880	9,066	9,880	9,066
	Units	Units	Units	Units
Share options balance of the Bank	21,300,000	21,300,000	21,300,000	21,300,000

Included in the above is the Directors' compensation which is disclosed in Note 33 to the financial statements.

Loans made to key management personnel of the Group and the Bank are on similar terms and conditions generally available to other employees within the Group. No specific allowances were required in 2009 and 2008 for loans made to key management personnel.

(d) Credit transactions and exposures with connected parties

Credit exposures with connected parties as per BNM's revised "Guidelines on Credit Transactions and Exposures with Connected Parties" which became effective on 1 January 2008 are as follows:

	The Group	The Bank
	2009	2009
	RM'000	RM'000
Outstanding credit exposures with connected parties	1,739,955	1,738,233
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	4.54%	5.05%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	0.001%	0.001%

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

33 DIRECTORS' REMUNERATION

Forms of remuneration in aggregate for all Directors for the year are as follows:

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Executive Directors:				
- salary and other remuneration	2,190	1,773	1,740	1,728
- bonuses	1,432	1,172	1,432	1,172
- contribution to defined contribution plan	488	348	381	348
- benefits-in-kind	562	75	64	75
Non-Executive Directors:				
- fees	1,080	984	768	698
	5,752	4,352	4,385	4,021

The remuneration attributable to the Group Managing Director of the Group and the Bank, including benefits-in-kind during the financial year amounted to RM2,651,193 (2008: RM2,497,100).

The movement and details of the Directors of the Bank in office and interests in shares and share options, are reported in the Directors' Report.

34 TAXATION AND ZAKAT

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Malaysian income tax				
- Current year	253,728	275,041	212,663	257,244
- Over accrual in prior years	(49,728)	-	(10,897)	-
Transfer to deferred taxation (Note 16)				
- Current year	(6,329)	(6,860)	(4,100)	(4,753)
- Under accrual in prior years	29,881	-	29,051	-
Taxation	227,552	268,181	226,717	252,491
Zakat	54	-	-	-
	227,606	268,181	226,717	252,491

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

34 TAXATION AND ZAKAT (continued)

The effective tax rate for the Group and Bank differed from the statutory rate of taxation due to:

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Profit before taxation and zakat	1,132,231	1,010,042	886,395	949,021
Tax calculated at a rate of 25% (2008: 26%)	283,058	262,611	221,599	246,745
Tax effects of:				
- income not subject to tax	(40,984)	(1,101)	(15,881)	(1,055)
- expenses not deductible for tax purposes	5,325	2,204	2,845	1,857
- previously unrecognised tax losses	-	(739)	-	-
- change in tax rates	-	5,206	-	4,944
(Over)/under accrual in prior years	(19,847)	-	18,154	-
Taxation	227,552	268,181	226,717	252,491

	The Group	
	2009 RM'000	2008 RM'000
Unused tax losses for which no deferred tax is recognised in the financial statements	36,494	32,427
Deductible temporary differences for which no deferred tax is recognised in the financial statements	3,148	2,692

35 EARNINGS PER SHARE

Basic/fully diluted earnings per share

Basic/fully diluted earnings per share from operations is calculated by dividing the net profit attributable to ordinary equity holders of the Bank after taxation by the weighted average number of ordinary shares in issue during the financial year, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares.

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Profit after taxation and zakat	905,335	741,818	659,678	696,530
Weighted average number of ordinary shares in issue ('000)	1,449,016	1,449,157	1,449,016	1,449,157
Basic/fully diluted earnings per share (sen)	62.5	51.2	45.5	48.1

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

36 DIVIDENDS

	2009		2008	
	Gross per share sen	Amount of dividend net of tax RM'000	Gross per share sen	Amount of dividend net of tax RM'000
Dividends recognised as distribution to equity holders:				
Final dividend	15.0	163,014	15.0	160,840
Interim dividend	9.0	97,809	9.0	96,505
	24.0	260,823	24.0	257,345

A final dividend in respect of the financial year ended 30 June 2009 of 15.0 sen per share less tax at 25% (2008: 15.0 sen per share less tax at 25%) will be proposed for shareholders' approval at the forthcoming Annual General Meeting. Based on the Bank's adjusted issued and paid-up share capital (excluding 81,092,700 treasury shares held pursuant to Section 67A of the Companies Act, 1965) of RM1,499,014,334 comprising 1,499,014,334 shares as at 30 June 2009, the dividend amount would approximately be RM168,639,113. The proposed dividend will be reflected in the financial statements of the financial year ending 30 June 2010 when approved by shareholders.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

37 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. These commitments and contingencies are also not secured over the assets of the Group.

The commitments and contingencies constitute the following:

	The Group					
	2009			2008		
	Principal RM'000	Credit equivalent RM'000	Risk weighted amount RM'000	Principal RM'000	Credit equivalent RM'000	Risk weighted amount RM'000
Direct credit substitutes	217,061	217,061	200,263	207,396	207,396	193,849
Certain transaction related contingent items	247,102	123,551	110,598	287,933	143,966	129,875
Short-term self-liquidating trade-related contingencies	578,754	115,750	113,434	741,691	148,338	142,375
Irrevocable commitment to extend credit:						
- maturity more than one year	-	-	-	4,279,447	2,139,724	1,743,385
- maturity less than one year	-	-	-	13,458,683	2,691,736	2,189,391
Commitments that are unconditionally cancellable by the bank at any time without prior notice [#]	18,806,674	-	-	-	-	-
Foreign exchange related contracts:						
- less than one year	16,955,284	349,792	191,764	20,194,529	395,392	252,097
- one year to less than five years	3,421,043	485,318	274,098	3,531,178	543,356	310,593
- five years and above	298,668	62,884	31,442	298,668	77,869	38,935
Interest rate related contracts:						
- less than one year	9,848,229	46,175	23,223	31,317,316	361,900	143,156
- one year to less than five years	26,247,637	996,737	504,359	6,992,481	45,832	20,771
- five years and above	1,401,880	180,913	90,457	30,000	4,032	2,016
Equity related contracts:						
- less than one year	96,900	5,814	2,462	151,823	10,211	6,567
- one year to less than five years	150,203	12,016	4,264	150,400	12,032	6,016
	78,269,435	2,596,011	1,546,364	81,641,545	6,781,784	5,179,026

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

37 COMMITMENTS AND CONTINGENCIES (continued)

	The Bank					
	2009			2008		
	Principal RM'000	Credit equivalent RM'000	Risk weighted amount RM'000	Principal RM'000	Credit equivalent RM'000	Risk weighted amount RM'000
Direct credit substitutes	217,061	217,061	200,263	207,396	207,396	193,849
Certain transaction related contingent items	246,276	123,138	110,184	253,585	126,792	112,744
Short-term self-liquidating trade-related contingencies	576,541	115,308	112,991	737,476	147,495	141,583
Irrevocable commitment to extend credit:						
- maturity more than one year	-	-	-	3,554,073	1,777,037	1,440,859
- maturity less than one year	-	-	-	13,256,242	2,651,248	2,149,575
Commitments that are unconditionally cancellable at any time by the bank without prior notice #	17,717,496	-	-	-	-	-
Foreign exchange related contracts:						
- less than one year	16,955,284	349,792	191,764	20,194,529	395,392	252,097
- one year to less than five years	3,421,043	485,318	274,098	3,531,178	543,356	310,593
- five years and above	298,668	62,884	31,442	298,668	77,869	38,935
Interest rate related contracts:						
- less than one year	9,848,229	46,175	23,223	31,317,316	361,900	143,156
- one year to less than five years	26,247,637	996,737	504,359	6,992,481	45,832	20,771
- five years and above	1,401,880	180,913	90,457	30,000	4,032	2,016
Equity related contracts:						
- less than one year	96,900	5,814	2,462	151,823	10,211	6,567
- one year to less than five years	150,203	12,016	4,264	150,400	12,032	6,016
	77,177,218	2,595,156	1,545,507	80,675,167	6,360,592	4,818,761

Pursuant to BNM's letter dated 18 March 2009 entitled "Credit conversion factors for uncommitted credit facilities", the Group has applied 0% credit conversion factor ("CCF") on the undrawn portion of credit facilities with original maturity of more than one year upon fulfilling the prescribed conditions. The Group has also applied 0% CCF on the undrawn portion of credit facilities with original maturity of less than one year with no conditions imposed by BNM.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

37 COMMITMENTS AND CONTINGENCIES (continued)

The foreign exchange and interest rate related contracts are made up as follows:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Foreign exchange related contracts:				
- swaps and forward contracts	15,110,163	18,519,000	15,110,163	18,519,000
- options	1,564,171	1,232,133	1,564,171	1,232,133
- cross currency swaps	4,000,661	4,273,242	4,000,661	4,273,242
Interest rate related contracts:				
- futures contracts	5,841,386	12,793,305	5,841,386	12,793,305
- interest rate swaps	31,604,160	25,494,292	31,604,160	25,494,292
- cap/floors	50,000	50,000	50,000	50,000
- swaptions	2,200	2,200	2,200	2,200
Equity related contracts:				
- options	247,103	302,223	247,103	302,223

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

38 CAPITAL COMMITMENTS

Capital expenditure approved by Directors but not provided for in the financial statements are as follows:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Authorised and contracted for	72,289	39,672	71,206	39,533
Authorised but not contracted for	56,323	36,884	56,323	36,884
	128,612	76,556	127,529	76,417

The capital commitments are in respect of property and equipment.

39 LEASE COMMITMENTS

The Bank has lease commitments in respect of rented premises, all of which are classified as operating leases. A summary of the future minimum lease payments, net of sublease, under non-cancellable operating lease commitment are as follows:

	2009	2008
	RM'000	RM'000
Not later than one year	3,598	3,742
Later than one year and not later than five years	7,514	7,358
More than 5 years	394	50

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

40 HOLDING AND ULTIMATE HOLDING COMPANIES

The holding and ultimate holding companies are Hong Leong Financial Group Berhad and Hong Leong Company (Malaysia) Berhad respectively, both companies incorporated in Malaysia.

41 CAPITAL ADEQUACY

(i) The capital adequacy ratios of the Group and the Bank are as follows:

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Tier-1 capital	5,649,940	4,974,786	5,212,261	4,782,493
Tier-2 capital	1,248,623	1,180,457	1,175,105	1,115,400
Total capital	6,898,563	6,155,243	6,387,366	5,897,893
Less: Investment in subsidiary companies	-	-	(575,746)	(592,041)
Less: Investment in associated company	(1,045,285)	-	(946,505)	-
Less: Holding of other banking institutions' capital	-	(31,858)	-	(31,858)
Capital base	5,853,278	6,123,385	4,865,115	5,273,994
Capital ratios				
Core capital ratio	15.89%	13.30%	15.18%*	14.29%
Risk-weighted capital ratio	16.47%	16.36%	15.18%*	15.76%
Core capital ratio (net of proposed dividends)	15.42%	12.84%	14.65%*	13.78%
Risk-weighted capital ratio (net of proposed dividends)	15.99%	15.91%	14.65%*	15.25%

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

(ii) Components of Tier-1 and Tier-2 capital are as follows:

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
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
Other reserves*	4,339,846	3,683,511	3,926,223	3,517,066
Minority interest	42,988	43,698	-	-
Treasury shares	(699,052)	(699,041)	(699,052)	(699,041)
Less: Deferred tax assets	(153,613)	(173,153)	(134,681)	(155,303)
Total tier-1 capital	5,649,940	4,974,786	5,212,261	4,782,493

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

41 CAPITAL ADEQUACY (continued)

(ii) Components of Tier-1 and Tier-2 capital are as follows: (continued)

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Tier-2 capital				
Subordinated obligations	703,800	653,500	703,800	653,500
General allowance for bad and doubtful debts	544,823	526,957	471,305	461,900
Total tier-2 capital	1,248,623	1,180,457	1,175,105	1,115,400
Total capital	6,898,563	6,155,243	6,387,366	5,897,893
Less: Investment in subsidiary companies	-	-	(575,746)	(592,041)
Less: Investment in associated company	(1,045,285)	-	(946,505)	-
Less: Holdings of other banking institutions' capital	-	(31,858)	-	(31,858)
Total capital base	5,853,278	6,123,385	4,865,115	5,273,994

* Fair value reserve has been excluded from the Bank's capital base.

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 have adopted the Standardised Approach for credit risk and market risk and Basic Indicator Approach for operational risk computation.

(iii) Breakdown of risk-weighted assets in the various risk weights:

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Credit risk	29,835,809	31,730,244	26,851,357	28,178,587
Market risk	1,973,766	2,233,019	1,787,131	2,154,616
Operational risk	3,737,622	3,454,930	3,414,147	3,139,123
	35,547,197	37,418,193	32,052,635	33,472,326

The Group and the Bank have applied paragraph 7.2 of the "Concept Paper — Risk Weighted Capital Adequacy Framework (Basel II) and Capital Adequacy Framework for Islamic Banks (CAFIB) — Disclosure Requirements (Pillar 3)" dated 5 December 2008, where the Group and the Bank are exempted from disclosing comparative figures on first time adoption.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

41 CAPITAL ADEQUACY (continued)

(iv) Disclosures on capital adequacy under the Standardised Approach:

The Group 2009					
Exposure class	Gross exposures RM'000	Net exposures RM'000	Risk-weighted assets RM'000	Total risk-weighted assets after effects of PSIA RM'000	Capital requirements RM'000
Credit risk					
On balance sheet exposures					
Sovereigns/central banks	23,750,099	23,750,099	-	-	-
Public sector entities	95,868	95,868	19,173	19,173	1,534
Banks, DFIs and MDBs	8,874,214	8,874,214	2,416,803	2,416,803	193,344
Insurance companies, securities firms and fund managers	27,232	27,232	27,232	27,232	2,179
Corporates	9,859,959	9,519,865	8,889,161	8,889,161	711,133
Regulatory retail	15,016,316	14,685,775	11,014,333	11,014,333	881,147
Residential mortgages	10,661,090	10,658,295	4,094,727	4,094,727	327,578
Higher risk assets	46,545	46,545	69,820	69,820	5,586
Other assets	1,882,439	1,882,439	888,178	888,178	71,054
Defaulted exposures	703,439	701,203	870,018	870,018	69,601
Total for on balance sheet exposures	70,917,201	70,241,535	28,289,445	28,289,445	2,263,156
Off balance sheet exposures					
OTC derivatives	2,139,649	2,139,649	1,122,069	1,122,069	89,766
Off balance sheet exposures other than OTC derivatives or credit derivatives	452,709	452,709	418,816	418,816	33,505
Defaulted exposures	3,653	3,653	5,479	5,479	438
Total for off balance sheet exposures	2,596,011	2,596,011	1,546,364	1,546,364	123,709
Total for on and off balance sheet exposures	73,513,212	72,837,546	29,835,809	29,835,809	2,386,865

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

41 CAPITAL ADEQUACY (continued)

(iv) Disclosures on capital adequacy under the Standardised Approach: (continued)

The Group 2009						
Exposure class	Gross exposures Long Position RM'000	Short Position RM'000	Net exposures RM'000	Risk- weighted assets RM'000	Total risk- weighted assets after effects of PSIA RM'000	Capital requirements RM'000
Market risk						
Interest rate risk	40,345,268	34,954,368	5,390,900	1,132,126	1,132,126	90,570
Foreign currency risk	828,092	769,044	828,092	837,040	837,040	66,963
Option risk	-	-	-	4,600	4,600	368
Total market risk				1,973,766	1,973,766	157,901
Operational risk						
Operational risk				3,737,622	3,737,622	299,010
Total risk-weighted assets and capital requirements				35,547,197	35,547,197	2,843,776

PSIA : Profit sharing investment account

OTC : Over the counter

MDB : Multilateral development bank

DFI : Development financial institution

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009
(continued)

41 CAPITAL ADEQUACY (continued)

(iv) Disclosures on capital adequacy under the Standardised Approach: (continued)

The Bank 2009					
Exposure class	Gross exposures RM'000	Net exposures RM'000	Risk-weighted assets RM'000	Total risk-weighted assets after effects of PSIA RM'000	Capital requirements RM'000
Credit risk					
On balance sheet exposures					
Sovereigns/central banks	21,031,838	21,031,838	-	-	-
Public sector entities	95,821	95,821	19,164	19,164	1,533
Banks, DFIs and MDBs	8,346,032	8,346,032	2,287,132	2,287,132	182,971
Insurance companies, securities firms and fund managers	22,145	22,145	22,145	22,145	1,772
Corporates	9,277,689	8,938,489	8,336,305	8,336,305	666,904
Regulatory retail	12,507,215	12,178,874	9,134,157	9,134,157	730,732
Residential mortgages	9,845,252	9,842,494	3,774,957	3,774,957	301,997
Higher risk assets	45,634	45,634	68,451	68,451	5,476
Other assets	1,842,685	1,842,685	847,738	847,738	67,819
Defaulted exposures	662,282	660,047	815,801	815,801	65,264
Total for on balance sheet exposures	63,676,593	63,004,059	25,305,850	25,305,850	2,024,468
Off balance sheet exposures					
OTC derivatives	2,139,649	2,139,649	1,122,070	1,122,070	89,766
Off balance sheet exposures other than OTC derivatives or credit derivatives	451,854	451,854	417,958	417,958	33,437
Defaulted exposures	3,653	3,653	5,479	5,479	438
Total for off balance sheet exposures	2,595,156	2,595,156	1,545,507	1,545,507	123,641
Total for on and off balance sheet exposures	66,271,749	65,599,215	26,851,357	26,851,357	2,148,109

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

41 CAPITAL ADEQUACY (continued)

(iv) Disclosures on capital adequacy under the Standardised Approach: (continued)

The Bank 2009						
Exposure class	Gross exposures Long Position RM'000	Short Position RM'000	Net exposures RM'000	Risk- weighted assets RM'000	Total risk- weighted assets after effects of PSIA RM'000	Capital requirements RM'000
Market risk						
Interest rate risk	38,333,624	34,954,368	1,014,284	1,014,284	1,014,284	81,143
Foreign currency risk	759,299	768,247	768,247	768,247	768,247	61,460
Option risk	368	-	-	4,600	4,600	368
Total market Risk				1,787,131	1,787,131	142,971
Operational risk						
Operational risk				3,414,147	3,414,147	273,132
Total risk-weighted and capital requirements				32,052,635	32,052,635	2,564,212

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

41 CAPITAL ADEQUACY (continued)

(v) Disclosures on off balance sheet and counterparty credit risk:

The Group 2009				
	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	217,061	217,061	-	200,263
Certain transaction related contingent items	247,102	123,551	-	110,598
Short term self liquidating trade related contingencies	578,754	115,750	-	113,434
Foreign exchange related contracts				
- less than one year	16,955,284	349,792	170,118	191,764
- one year to less than five years	3,421,043	485,318	158,136	274,098
- five years and above	298,668	62,884	9,414	31,442
Interest rate related contracts				
- less than one year	9,848,229	46,175	36,764	23,223
- one year to less than five years	26,247,637	996,737	341,719	504,359
- five years and above	1,401,880	180,913	58,719	90,457
Commitments that are unconditionally cancellable by the bank at any time without prior notice	18,806,674	-	-	-
Equity related contracts				
- less than one year	96,900	5,814	-	2,462
- one year to less than five years	150,203	12,016	-	4,264
Total	78,269,435	2,596,011	774,870	1,546,364

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

41 CAPITAL ADEQUACY (continued)

(v) Disclosures on off balance sheet and counterparty credit risk: (continued)

The Bank 2009				
	Total principal amount	Total credit equivalent amount	Positive fair value of derivative contracts	Total risk- weighted amount
	RM'000	RM'000	RM'000	RM'000
Nature of item:				
Direct credit substitutes	217,061	217,061	-	200,263
Certain transaction related contingent items	246,276	123,138	-	110,184
Short term self liquidating trade related contingencies	576,541	115,308	-	112,991
Foreign exchange related contracts				
- less than one year	16,955,284	349,792	170,118	191,764
- one year to less than five years	3,421,043	485,318	158,136	274,098
- five years and above	298,668	62,884	9,414	31,442
Interest rate related contracts				
- less than one year	9,848,229	46,175	36,764	23,223
- one year to less than five years	26,247,637	996,737	341,719	504,359
- five years and above	1,401,880	180,913	58,719	90,457
Commitments that are unconditionally cancellable by the bank at any time without prior notice	17,717,496	-	-	-
Equity related contracts				
- less than one year	96,900	5,814	-	2,462
- one year to less than five years	150,203	12,016	-	4,264
Total	77,177,218	2,595,156	774,870	1,545,507

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

41 CAPITAL ADEQUACY (continued)

(vi) Disclosures on risk weights:

The Group 2009	Exposures after netting and credit risk mitigation										
	Sovereigns and central banks	PSEs	Banks, MDBs and DFIs	Insurance companies, securities firms and fund managers	Corporates	Regulatory retail	Residential mortgages	Higher risk assets	Other assets	Total exposure after netting and credit risk mitigation	Total risk- weighted assets
Supervisory risk weights	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
%	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	23,750,099	-	-	-	-	-	-	-	942,996	24,693,095	-
10%	-	-	-	-	-	-	-	-	-	-	-
20%	-	95,876	6,873,755	-	741,321	-	-	-	64,084	7,775,036	1,555,007
35%	-	-	-	-	-	-	8,229,463	-	-	8,229,463	2,880,312
50%	-	-	3,951,999	-	98,987	35,464	2,447,265	-	-	6,533,715	3,266,858
75%	-	-	-	-	-	14,819,654	-	-	-	14,819,654	11,114,741
90%	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	3,137	31,343	9,272,903	36,187	103,038	-	875,360	10,321,968	10,321,968
110%	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	278,499	139,297	-	46,819	-	464,615	696,923
270%	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-
938%	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-
Total	23,750,099	95,876	10,828,891	31,343	10,391,710	15,030,602	10,779,766	46,819	1,882,440	72,837,546	29,835,809

PSE : Public Sector Entity

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

41 CAPITAL ADEQUACY (continued)

(vi) Disclosures on risk weights: (continued)

The Bank 2009	Exposures after netting and credit risk mitigation														
	Supervisory risk weights	Sovereigns and central banks		PSEs	Banks, MDBs and DFIs	Insurance companies, securities firms and fund managers		Corporates	Regulatory retail	Residential mortgages	Higher risk assets	Other assets	Total exposure after netting and credit risk mitigation		Total risk- weighted assets
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	0%	21,031,838	-	-	-	-	-	-	-	-	-	943,681	21,975,519	-	
	10%	-	-	-	-	-	-	-	-	-	-	-	-	-	
	20%	-	95,829	6,425,689	-	705,674	-	-	-	-	-	64,084	7,291,276	1,458,255	
	35%	-	-	-	-	-	-	7,641,938	-	-	-	-	7,641,938	2,674,678	
	50%	-	-	3,871,881	-	98,962	35,137	2,217,198	-	-	-	-	6,223,178	3,111,589	
	75%	-	-	-	-	-	12,312,753	-	-	-	-	-	12,312,753	9,234,565	
	90%	-	-	-	-	-	-	-	-	-	-	-	-	-	
	100%	-	-	3,137	26,256	8,726,278	34,169	94,354	-	834,920	9,719,114	9,719,114	9,719,114	-	
	110%	-	-	-	-	-	-	-	-	-	-	-	-	-	
	125%	-	-	-	-	-	-	-	-	-	-	-	-	-	
	135%	-	-	-	-	-	-	-	-	-	-	-	-	-	
	150%	-	-	-	-	276,135	113,449	-	45,853	-	435,437	653,156	653,156	-	
	270%	-	-	-	-	-	-	-	-	-	-	-	-	-	
	350%	-	-	-	-	-	-	-	-	-	-	-	-	-	
	400%	-	-	-	-	-	-	-	-	-	-	-	-	-	
	625%	-	-	-	-	-	-	-	-	-	-	-	-	-	
	938%	-	-	-	-	-	-	-	-	-	-	-	-	-	
	1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Total	21,031,838	95,829	10,300,707	26,256	9,807,049	12,495,508	9,953,490	45,853	1,842,685	65,599,215	26,851,357	26,851,357	-	

PSE : Public Sector Entity

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

42 SEGMENT REPORTING

(i) Primary reporting – business segments

The Group comprises of the following main business segments:

Personal Financial Services focuses mainly on servicing individual customers and small businesses. Products and services that are extended to customers include mortgages, credit cards, hire purchase and others.

Corporate and Commercial Banking focuses mainly on corporate customers. Products offered include trade financing, working capital facilities, other term financing and corporate advisory services.

Treasury refers to the Group's treasury and capital market operations and includes foreign exchange, money market operations as well as capital market securities trading and investments.

Takaful refers to the business of underwriting family takaful including investment-linked business and all classes of general takaful businesses.

Overseas Associate refers to Bank of Chengdu Co., Ltd (formerly known as Chengdu City Commercial Bank Co., Ltd), which is a commercial bank in Chengdu, China that is principally engaged in corporate, commercial and consumer banking businesses.

The Group	— Wholesale Banking —					Total
	Personal Financial Services	Corporate and Commercial Banking	Treasury	Takaful Business	Overseas Associate	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2009						
Revenue						
- external	1,238,818	50,935	801,583	7,636	-	2,098,972
- inter-segment	190,834	188,897	(379,731)	-	-	-
	1,429,652	239,832	421,852	7,636	-	2,098,972
Segment profit/(loss) before taxation and zakat	639,668	101,052	293,784	(1,735)	-	1,032,769
Share of results of associated company					99,462	99,462
Profit before taxation						1,132,231
Taxation and zakat						(227,606)
Net profit for the financial year						904,625
Segment assets	27,629,874	7,409,846	41,692,745	314,952	-	77,047,417
Unallocated assets						2,357,125
Total assets						79,404,542
Segment liabilities	36,981,880	12,607,552	23,237,814	220,439	-	73,047,685
Unallocated liabilities						580,005
Total liabilities						73,627,690

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

42 SEGMENT REPORTING (continued)

(i) Primary reporting – business segments (continued)

The Group	— Wholesale Banking —					Total RM'000
	Personal Financial Services	Corporate and Commercial Banking	Treasury	Takaful Business	Overseas Associate	
	RM'000	RM'000	RM'000	RM'000	RM'000	
2009 (continued)						
Other significant segment items						
Capital expenditure	48,431	13,329	17,781	226	-	79,767
Amortisation of prepaid lease payments	75	9	-	-	-	84
Depreciation of property and equipment	32,090	3,943	9,526	236	-	45,795
Amortisation of intangible assets	7,379	1,049	4,396	478	-	13,302
Allowances for losses on loans, advances and financing	133,357	23,357	-	-	-	156,714
Writeback of impairment losses on available-for-sale securities	-	-	(902)	-	-	(902)

Inter-segment transfer is based on internally computed cost of funds.

The Group	— Wholesale Banking —					Total RM'000
	Personal Financial Services	Corporate and Commercial Banking	Treasury	Takaful Business		
	RM'000	RM'000	RM'000	RM'000		
2008						
Revenue						
- external	1,141,352	212,183	653,933	10,872		2,018,340
- inter-segment	278,530	68,682	(347,212)	-		-
	1,419,882	280,865	306,721	10,872		2,018,340
Segment profit/(loss) before taxation and zakat	672,112	119,976	217,864	90		1,010,042
Taxation and zakat						(268,181)
Net profit for the financial year						741,861

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009
(continued)

42 SEGMENT REPORTING (continued)

(i) Primary reporting – business segments (continued)

The Group	— Wholesale Banking —				Total
	Personal Financial Services RM'000	Corporate and Commercial Banking RM'000	Treasury RM'000	Takaful Business RM'000	
2008 (continued)					
Segment assets	27,131,567	7,614,869	39,630,425	219,142	74,596,003
Unallocated assets					2,865,202
Total assets					77,461,205
Segment liabilities	35,335,087	9,641,918	26,730,290	167,878	71,875,173
Unallocated liabilities					452,794
Total liabilities					72,327,967
Other significant segment items					
Capital expenditure	88,296	10,421	9,168	703	108,588
Amortisation of prepaid lease payments	92	9	-	-	101
Depreciation of property and equipment	35,621	3,784	5,166	204	44,775
Amortisation of intangible assets	10,051	953	1,587	406	12,997
Allowances for losses on loans, advances and financing	130,821	27,706	-	-	158,527
Impairment losses on available-for-sale securities	-	1,009	-	-	1,009

(ii) Secondary reporting – geographic segments

The Group operates in two main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the primary business segments.
- Overseas operations, which includes branch, subsidiary and associate operations in Singapore, Hong Kong and China. The overseas operations are mainly in commercial banking and treasury business. The overseas operations contributed less than 10% of the revenue and total assets of the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

42 SEGMENT REPORTING (continued)

(ii) Secondary reporting – geographic segments (continued)

The Group operates in two main geographical areas: (continued)

The Group	Revenue	Total assets
	RM'000	RM'000
2009		
Malaysia	2,006,218	74,220,220
Overseas operations	92,754	5,184,322
	2,098,972	79,404,542
2008		
Malaysia	1,889,301	72,406,796
Overseas operations	129,039	5,054,409
	2,018,340	77,461,205

43 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- On 3 July 2008, the Bank subscribed for 6,000,000 redeemable preference shares of USD0.01 each, issued at a premium of USD0.99 each, in HLB Principal Investments (L) Limited ("HLB PI"), a wholly-owned subsidiary of the Bank. The proceeds were used by HLB PI to undertake the business of holding of or dealing in offshore securities. HLB PI commenced operations on 7 July 2008.
- On 21 July 2008, the subscription of 20% equity interest in Bank of Chengdu Co., Ltd. (formerly known as Chengdu City Commercial Bank Co., Ltd.) was completed.
- On 28 August 2008, the Bank announced that it will be carrying out an internal reorganisation of certain of its direct and indirect wholly-owned subsidiaries to streamline the corporate structure of the Bank for better efficiency ("Internal Reorganisation").

Pursuant to the Internal Reorganisation, HLF Credit (Perak) Bhd ("HLF Credit"), currently an indirect wholly-owned subsidiary of the Bank, will be transferred to become a direct wholly-owned subsidiary of the Bank. Thereafter, certain wholly-owned subsidiaries of the Bank, namely Gensource Sdn Bhd, Hong Leong Leasing Sdn Bhd, HLB Realty Sdn Bhd, HL Leasing Sdn Bhd and WTB Corporation Sdn Bhd will be transferred to become direct wholly-owned subsidiaries of HLF Credit. In addition, Chew Geok Lin Finance Sdn Bhd, a direct wholly-owned subsidiary of WTB Corporation Sdn Bhd, will be transferred to also become a direct wholly-owned subsidiary of HLF Credit. The considerations for the transfer of all the companies concerned will be calculated based on the net assets of the companies as at 30 June 2008 and satisfied by way of intercompany loans. The Internal Reorganisation was completed on 20 October 2008.

- The Bank had on 18 December 2008, announced that its wholly-owned subsidiary, HLF Credit proposed to issue up to RM1,096.3 million nominal value of unsecured and unsubordinated bonds ("Proposed Bonds Issue") to raise funds to subscribe for foreign currency denominated principal protected investments through its subsidiaries.

The tenure of the bonds will be for four (4) years from the date of issuance. The bonds will be issued via private placement basis. The Bank will be assuming the role of Principal Advisor/Lead Arranger of the Proposed Bonds Issue. The Securities Commission's approval was obtained on 27 February 2009.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

43 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

- (e) On 9 January 2009, the Bank announced that The State Bank of Vietnam has granted a license to the Bank to incorporate and operate a 100% wholly owned commercial bank in Vietnam. The 100% wholly owned commercial bank shall be known as Hong Leong Bank Vietnam Limited (“HLBVN”). The charter capital of HLBVN is 1,000,000,000,000 (one trillion) Vietnam Dong which is approximately equivalent to RM205 million at year-end exchange rates. The Bank is required to incorporate HLBVN and commence operations in Vietnam within 12 months from the date of issuance of the aforesaid license.
- (f) On 10 March 2009, Wah Tat Properties Sdn Bhd, a wholly-owned subsidiary of the Bank, which was placed under member’s voluntary liquidation pursuant to Section 254(1) of the Companies Act, 1965, was dissolved.
- (g) On 8 April 2009, the Bank announced that it has entered into a sale and purchase agreement (“SPA”) with HLA Holdings Sdn Bhd (“HLAH”) for the disposal of its entire shareholding of 55,000,000 ordinary shares of RM1.00 each in Hong Leong Tokio Marine Takafu Berhad (“HLTMT”), representing 55% of the issued and paid-up share capital of HLTMT to HLAH for cash.

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

44 SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR

On 9 July 2009, the Bank incorporated HLBVN. The intended business activity of HLBVN is commercial banking.

45 RISK MANAGEMENT OBJECTIVES AND POLICIES

Integrated Risk Management (“IRM”)

Managing risks is an integral part of the Bank’s overall business strategy, as risks, if left unchecked against a backdrop of rapidly changing financial landscape and increased uncertainty, can translate into costs for the business. Recognising the need to be proactive in the management of risks, the Bank has implemented an Integrated Risk Management (“IRM”) framework.

At the apex of the IRM framework, the Board of Directors has the overall responsibility to ensure there is proper oversight of the management of risks in the Bank. The Board of Directors set the risk appetite and tolerance level that is consistent with the Bank’s overall business objectives and desired risk profile. A number of committees and dedicated risk management functions have been established to manage specific areas of risk and implement various risk management policies and procedures.

Giving due prominence to risk management, a Board Risk Management Committee (“BRMC”) comprising three members of the Board of Directors (where a minimum of two members are the Independent/Non-executive Directors) has been set up to oversee and ensure that risk management at all levels is being managed effectively. They, in turn, report all the risk management activities to the Board of Directors. To assist the BRMC, the Integrated Risk Management and Compliance Department (“IRMC Department”) has been established to provide independent oversight on the adequacy, effectiveness and integrity of risk management practices at all levels within the Bank. The IRMC Department has adopted a risk-based approach to consolidate principal risk areas across the Bank and provide a comprehensive profile of such risks so as to enable the Bank to minimise the risk through review and appropriate policies and control.

Credit Risk Management

Credit risk is risk of financial loss due to a borrower or counterparty being unable or unwilling to deliver on its payment obligations to the Bank, which leads to a loss of revenue and the principal sum. It arises principally from lending, trade finance and treasury activities. Credit risk management forms a key component of the Bank’s integrated risk management structure. The Bank’s integrated risk management structure is founded upon a credit risk framework that is compliant with BNM’s guidelines on “Best Practices for the Management of Credit Risk”.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

45 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk Management (continued)

The Bank gives very strong priority to effective credit risk management. Credit evaluation is managed by experienced personnel, with high level review undertaken by the Management Credit Committee, under the supervision of the Board Credit Supervisory Committee. All significant credit policies are reviewed and approved by the BRMC.

The key to credit risk management is to ensure that structures and processes are in place to maintain and continuously enhance the Bank's risk assessment capabilities in key areas of credit. These include sound credit policies and procedures, quality credit approvals, appropriate risk measurement and risk methodology, strong credit controls with independent reviews and effective recovery strategies. The Bank's credit risk management process is documented in the Credit Manual. The Credit Manual sets out the Bank's policies on lending guidelines, lending authorities, credit risk rating, credit reviews, collateral, credit administration and security documentation, and timely rehabilitation and restructuring of problematic and delinquent accounts.

The management of credit risk commences at the application stage whereby there is a stringent evaluation process, based on prudent lending policies. To enhance credit risk management, the Bank will be redeveloping a new credit risk rating system for corporate and commercial borrowers. As for the retail segment, the Bank has implemented a credit application and behavioural scoring system to improve the Bank's ability to control credit losses within predictive ranges and achieve a well-balanced portfolio. The Bank conducts stress tests regularly to ensure its asset quality is within acceptable levels even under stress scenarios.

Internal Audit conducts independent post approval reviews on sampling basis to ensure that quality of credit appraisals and approval standards are in accordance with the credit standards and the lending policies and directives established and approved by the Bank's management.

Market Risk Management

Market risk is the risk of financial loss arising from exposure to adverse changes in values of financial instruments caused by changes in market prices or rates, which include changes to interest rates.

The Bank adopts a systematic approach in managing such risks by types of instruments and nature of exposure. Market risk is primarily controlled via a series of cut-loss limits and potential loss limits, i.e. "Value at Risk" ("VaR"), set in accordance with the size of positions and risk tolerance appetites.

Portfolios held under the Bank's trading books are tracked using daily mark-to-market positions and VaR, which are compared against preset limits. The daily tracking of positions is supplemented by sensitivity analysis and stress tests, using PV01 and other measurements.

Foreign exchange risks arising from adverse exchange rate movements, is managed by the setting of preset limits, matching of open positions against these preset limits and imposition of cut-loss mechanisms.

Interest rate risk exposure is also identified, measured and controlled through limits and procedures, which includes regularly reviewing the interest rate outlook and developing strategies to protect total net interest income from changes in market interest rates.

In addition, the Bank also conducts periodic stress testing of its respective portfolios to ascertain market risk under abnormal market conditions.

Liquidity Risk Management

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet obligations as they fall due. Financial obligations arise from the withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the Bank's policy to ensure there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

45 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity Risk Management (continued)

As a safeguard against liquidity risk, the Bank takes a multi-pronged approach towards managing this risk, beginning with a liquidity management system, adopting BNM's Liquidity Framework as the backbone. The Liquidity Framework ascertains the liquidity condition based on contractual and behavioural cash-flow of assets, liabilities and off-balance sheet commitments, taking into consideration the realisable cash value of liquefiable assets. The Bank has been in compliance with the New Liquidity Framework throughout the financial year.

This is supplemented by the Bank's own internal liquidity management policies, which includes cash flow management, maintenance of high quality long-term and short-term marketable debt securities and diversification of funding base. The Bank has in place liquidity contingency funding plans to minimise the liquidity risk that may arise due to unforeseen adverse changes in the marketplace.

Operational Risk Management

The Bank adopts the Basel II's Operational Risk Management definition as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events" which also includes IT and legal risks. As such, operational risk is inherent in each of the Bank's business and operational activities. Such risks may result in breakdowns, errors and can potentially result in financial loss or other losses to the Bank. The primary responsibility of managing such risks rests with the respective operating department/unit.

The Bank takes a proactive stance on identifying and profiling principal potential operational risks and implementing relevant risk mitigation and contingency procedures.

One of the Bank's primary safeguards against operational risks is the existence of a sound internal control system, based on the principle of dual control, checks and balances, segregation of duties, independent checks and verification processes, segmented system access control and multi-tier internal transaction authorisation process. The controls are documented through a set of policies and procedures at the individual business unit level.

The Bank has also set up an Operational Risk Management and Compliance Committee ("ORMCC") comprising members of the Bank's senior management to manage its operational risks and compliance issues. The ORMCC intends to minimise bank wide operational risk losses and increase shareholder value in accordance with Basel II standards while ensuring compliance to all regulations and internal policies. Another key role of the ORMCC is to promote awareness of operational risk management within the Bank and its customers.

The Bank has published an Operational Risk Management Awareness Handbook and disseminated across the Bank so as to enhance operational risk awareness among all the staff as well as to inculcate sound risk management as an integral part of planning and management process.

46 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES

A Interest/profit rate risk

The tables below summarise the Group's and the Bank's exposure to interest/profit rate risks. Included in the tables are the Group's and the Bank's assets and liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest rates and yield curves change over time, the Group and the Bank may be exposed to loss in earnings due to the effects of interest rates on the structure of the balance sheets. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

46 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

A Interest/profit rate risk (continued)

	The Group 2009							
	Non – trading book						Trading book RM'000	Total RM'000
	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/ profit rate sensitive RM'000		
Assets								
Cash and short-term funds	17,612,344	-	-	-	-	731,278	-	18,343,622
Deposits and placements with banks and other financial institutions	-	4,578,406	813,546	25,168	-	-	-	5,417,120
Securities held at fair value through profit or loss	-	-	-	-	-	-	7,058,396	7,058,396
Available-for-sale securities	172,623	313,125	354,509	2,813,670	379,625	69,879 *	-	4,103,431
Held-to-maturity securities	3,889,641	464,024	264,532	1,581,103	126,048	29,679	-	6,355,027
Loans, advances and financing								
- performing	28,657,406	41,220	262,267	3,277,428	2,629,591	(537,738) ^	-	34,330,174
- non performing	-	-	-	-	-	465,240 ^	-	465,240
Other assets	-	-	-	-	-	1,198,162	-	1,198,162
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	368,564	-	368,564
Investment in associated company	-	-	-	-	-	1,045,285	-	1,045,285
Prepaid lease payments	-	-	-	-	-	6,185	-	6,185
Property and equipment	-	-	-	-	-	312,838	-	312,838
Intangible assets	-	-	-	-	-	29,548	-	29,548
Deferred tax assets	-	-	-	-	-	153,613	-	153,613
General and family takaful funds	-	-	-	-	-	217,337	-	217,337
Total assets	50,332,014	5,396,775	1,694,854	7,697,369	3,135,264	4,089,870	7,058,396	79,404,542
Liabilities								
Deposits from customers	36,973,829	9,287,234	13,770,330	744,253	-	6,807,711	-	67,583,357
Deposits and placements of banks and other financial institutions	2,065,131	336,671	-	-	-	2,357	-	2,404,159
Bills and acceptances payable	576	4,366	7,476	-	-	238,968	-	251,386
Other liabilities	-	-	-	-	-	2,393,344	-	2,393,344
Subordinated obligations	-	-	-	729,566	-	-	-	729,566
Provision for taxation	-	-	-	-	-	48,541	-	48,541
General and family takaful funds	-	-	-	-	-	8,278	-	8,278
General and family takaful participants' funds	-	-	-	-	-	209,059	-	209,059
Total liabilities	39,039,536	9,628,271	13,777,806	1,473,819	-	9,708,258	-	73,627,690
Total interest rate sensitivity gap	11,292,478	(4,231,496)	(12,082,952)	6,223,550	3,135,264			

* Allowance for impairment on available-for-sale securities is included under non-interest sensitive component.

^ Includes specific allowances and general allowances amounting to RM872,657,000.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

46 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

A Interest/profit rate risk (continued)

	The Group 2008							Trading book RM'000	Total RM'000
	Non – trading book						Non- interest/ profit rate sensitive RM'000		
	Up to 1 month RM'000	1 - 3 months RM'000	3 -12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
Assets									
Cash and short-term funds	21,849,177	-	-	-	-	415,497	-	-	22,264,674
Deposits and placements with banks and other financial institutions	-	1,473,170	664,470	-	-	-	-	-	2,137,640
Securities purchased under resale agreements	972,742	-	-	-	-	-	-	-	972,742
Securities held at fair value through profit or loss	-	-	-	-	-	-	4,856,645	-	4,856,645
Available-for-sale securities	435,141	778,552	728,744	2,963,533	914,508	8,606 *	-	-	5,829,084
Held-to-maturity securities	500,511	1,150,026	83,180	1,067,298	171,488	29,898	-	-	3,002,401
Loans, advances and financing									
- performing	27,046,861	495,560	1,032,041	3,461,817	2,544,703	(519,506) ^	-	-	34,061,476
- non performing	-	-	-	-	-	472,548 ^	-	-	472,548
Other assets	-	-	-	-	-	1,881,660	-	-	1,881,660
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,315,464	-	-	1,315,464
Prepaid lease payments	-	-	-	-	-	6,269	-	-	6,269
Property and equipment	-	-	-	-	-	290,318	-	-	290,318
Intangible assets	-	-	-	-	-	33,262	-	-	33,262
Deferred tax assets	-	-	-	-	-	173,153	-	-	173,153
General and family takaful funds	-	-	-	-	-	163,869	-	-	163,869
Total assets	50,804,432	3,897,308	2,508,435	7,492,648	3,630,699	4,271,038	4,856,645	-	77,461,205
Liabilities									
Deposits from customers	35,833,479	6,602,222	13,749,194	939,145	-	5,423,907	-	-	62,547,947
Deposits and placements of banks and other financial institutions	5,530,305	776,830	58,107	-	-	7,334	-	-	6,372,576
Bills and acceptances payable	17,794	61,638	39,855	-	-	291,896	-	-	411,183
Other liabilities	-	-	-	-	-	2,090,609	-	-	2,090,609
Subordinated obligations	-	-	-	671,750	-	-	-	-	671,750
Provision for taxation	-	-	-	-	-	70,033	-	-	70,033
General and family takaful funds	-	-	-	-	-	3,232	-	-	3,232
General and family takaful participants' funds	-	-	-	-	-	160,637	-	-	160,637
Total liabilities	41,381,578	7,440,690	13,847,156	1,610,895	-	8,047,648	-	-	72,327,967
Total interest rate sensitivity gap	9,422,854	(3,543,382)	(11,338,721)	5,881,753	3,630,699				

* Allowance for impairment on available-for-sale securities is included under non-interest sensitive component.

^ Includes specific allowances and general allowances amounting to RM872,738,000.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009
(continued)

46 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

A Interest/profit rate risk (continued)

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

* Allowance for impairment on available-for-sale securities is included under non-interest sensitive component.

^ Includes specific allowances and general allowances amounting to RM778,112,000.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009
(continued)

46 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

A Interest/profit rate risk (continued)

The Bank 2008								
	Non – trading book							
	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/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	19,963,838	-	-	-	-	429,015	-	20,392,853
Deposits and placements with banks and other financial institutions	-	1,473,170	664,470	-	-	-	-	2,137,640
Securities purchased under resale agreements	972,742	-	-	-	-	-	-	972,742
Securities held at fair value through profit or loss	-	-	-	-	-	-	3,976,030	3,976,030
Available-for-sale securities	435,141	738,580	713,663	2,237,774	870,790	8,606 *	-	5,004,554
Held-to-maturity securities	500,511	1,150,026	83,180	971,741	140,663	29,323	-	2,875,444
Loans, advances and financing								
- performing	25,885,400	483,978	919,348	1,958,214	1,047,566	(454,796) ^	-	29,839,710
- non-performing	-	-	-	-	-	466,497 ^	-	466,497
Other assets	-	-	-	-	-	2,098,308	-	2,098,308
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,170,500	-	1,170,500
Investment in subsidiary companies	-	-	-	-	-	592,041	-	592,041
Prepaid lease payments	-	-	-	-	-	5,386	-	5,386
Property and equipment	-	-	-	-	-	274,239	-	274,239
Intangible assets	-	-	-	-	-	31,509	-	31,509
Deferred tax assets	-	-	-	-	-	155,303	-	155,303
Total assets	47,757,632	3,845,754	2,380,661	5,167,729	2,059,019	4,805,931	3,976,030	69,992,756
Liabilities								
Deposits from customers	31,558,807	6,140,216	12,615,696	728,034	-	5,423,907	-	56,466,660
Deposits and placements of banks and other financial institutions	5,230,305	297,830	58,107	-	-	7,334	-	5,593,576
Bills and acceptance payable	4,409	9,706	5,575	-	-	281,013	-	300,703
Other liabilities	-	-	-	-	-	2,010,521	-	2,010,521
Subordinated obligations	-	-	-	671,750	-	-	-	671,750
Provision for taxation	-	-	-	-	-	26,413	-	26,413
Total liabilities	36,793,521	6,447,752	12,679,378	1,399,784	-	7,749,188	-	65,069,623
Total interest rate sensitivity gap	10,964,111	(2,601,998)	(10,298,717)	3,767,945	2,059,019			

* Allowance for impairment on available-for-sale securities is included under non-interest sensitive component.

^ Includes specific allowances and general allowances amounting to RM782,854,000.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

46 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

A Interest/profit rate risk (continued)

The table below summarises the effective average interest rates by major currencies for each class of financial assets and financial liabilities.

	The Group			
	2009		2008	
	RM %	USD %	RM %	USD %
Financial assets				
Cash and short term funds	2.1	1.4	3.8	3.1
Securities purchased under resale agreement	-	-	3.5	-
Deposits and placements with banks and other financial institutions	2.1	1.4	3.8	3.1
Securities held at fair value through profit and loss	3.0	-	3.5	-
Available-for-sale securities	3.5	3.3	4.3	4.9
Held-to-maturity securities	3.0	-	3.6	-
Loans, advances and financing	6.0	1.5	6.4	3.0
Financial liabilities				
Deposits from customers	2.1	5.2	3.0	3.8
Deposits and placements of banks and other financial institutions	1.3	0.5	3.5	3.3
Bills and acceptance payable	1.8	-	3.7	-
Subordinated obligations	-	5.2	-	5.2

	The Bank			
	2009		2008	
	RM %	USD %	RM %	USD %
Financial assets				
Cash and short term funds	2.1	1.4	3.8	3.1
Securities purchased under resale agreement	-	-	3.5	-
Deposits and placements with banks and other financial institutions	2.1	1.4	3.8	3.1
Securities held at fair value through profit and loss	3.3	-	3.4	-
Available-for-sale securities	3.5	3.3	4.3	4.9
Held-to-maturity securities	3.0	-	3.5	-
Loans, advances and financing	6.1	1.5	6.5	3.0
Financial liabilities				
Deposits from customers	2.1	5.2	2.9	3.8
Deposits and placements of banks and other financial institutions	1.3	0.5	3.5	3.3
Bills and acceptance payable	2.1	-	3.8	-
Subordinated obligations	-	5.2	-	5.2

46 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

B Credit risk

The following table sets out the credit risk concentrations of the Group and the Bank by classes of financial assets:

	The Group 2009									
	Short term funds and placements with financial institutions	Securities held at fair value through profit or loss	Available- for-sale securities*	Held-to- maturity securities [~]	Loans, advances and financing [#]	Other assets	Statutory deposits with Bank Negara Malaysia	On- balance sheet total	Treasury related commitments and contingencies	Credit related commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-	4,973	613,323	143	-	618,439	95,250	490,592
Mining and quarrying	-	-	-	-	23,452	-	-	23,452	-	13,035
Manufacturing	-	-	1,540	1,620	2,623,573	-	-	2,626,733	464,868	3,262,276
Electricity, gas and water	-	-	5,090	36,201	51,243	816	-	93,350	48,773	-
Construction	-	-	19,877	480	681,590	-	-	701,947	-	403,473
Wholesale and retail	-	-	-	72,095	3,064,809	-	-	3,136,904	-	2,705,189
Transport, storage and communications	-	-	41,185	17,289	241,690	349	-	300,513	-	139,549
Finance, insurance, real estate and business services	5,077,945	4,714,666	1,117,750	4,419,037	1,834,792	23,513	-	17,187,703	57,707,574	835,747
Government and government agencies	18,682,797	2,343,730	2,849,650	1,775,753	-	72,386	368,564	26,092,880	-	-
Education, health and others	-	-	-	-	293,015	-	-	293,015	-	-
Consumption credit	-	-	-	-	24,806,093	532	-	24,806,625	-	11,712,503
Others	-	-	-	-	1,036,384	-	-	1,036,384	103,379	287,227
	23,760,742	7,058,396	4,035,092	6,327,448	35,269,964	97,739	368,564	76,917,945	58,419,844	19,849,591

* Excludes equity instruments amounting to RM68,339,000.

[~] Excludes equity instruments (net of impairment losses) amounting to RM27,579,000.

[#] Excludes general allowances and net fair value changes arising from fair value hedges amounting to RM544,823,000 and RM70,273,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

46 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

B Credit risk (continued)

	The Group 2008									
	Short term funds and placements with financial institutions RM'000	Securities held at fair value through profit or loss ⁺ RM'000	Available- for-sale securities [*] RM'000	Held-to- maturity securities [^] RM'000	Loans, advances and financing [#] RM'000	Other assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	On- balance sheet total RM'000	Treasury related commitments and contingencies RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	-	-	9,988	509,271	172	-	519,431	8,709	457,749
Mining and quarrying	-	-	-	-	27,087	-	-	27,087	238,508	16,625
Manufacturing	-	-	5,567	2,085	3,009,380	-	-	3,017,032	1,943,677	3,164,561
Electricity, gas and water	-	-	5,158	46,852	50,025	206	-	102,241	15,624	53,013
Construction	-	-	48,899	760	777,574	-	-	827,233	-	519,208
Wholesale and retail	-	-	4,758	72,127	3,265,982	-	-	3,342,867	-	2,854,557
Transport, storage and communications	-	-	29,521	16,474	390,628	215	-	436,838	30,601	234,421
Finance, insurance, real estate and business services	7,076,003	2,786,102	1,898,197	2,014,570	1,443,157	26,030	-	15,244,059	59,531,555	995,864
Government and government agencies	17,326,311	1,996,491	3,836,291	812,491	1,592	113,693	1,315,464	25,402,333	-	-
Education, health and others	-	-	-	-	328,836	-	-	328,836	-	184,837
Household	-	-	-	-	23,998,701	-	-	23,998,701	1,944	9,736,563
Others	-	-	-	-	1,294,465	-	-	1,294,465	895,777	757,752
	24,402,314	4,782,593	5,828,391	2,975,347	35,096,698	140,316	1,315,464	74,541,123	62,666,395	18,975,150

⁺ Excludes equity instruments amounting to RM74,052,000.

^{*} Excludes equity instruments amounting to RM693,000.

[^] Excludes equity instruments (net of impairment losses) amounting to RM27,054,000.

[#] Excludes general allowances amounting to RM526,957,000 and net fair value changes arising from fair value hedges amounted to RM35,717,000.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

46 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

B Credit risk (continued)

	The Bank 2009									
	Short term funds and placements with financial institutions RM'000	Securities held at fair value through profit or loss RM'000	Available- for-sale securities* RM'000	Held-to- maturity securities [^] RM'000	Loans, advances and financing [#] RM'000	Other assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	On- balance sheet total RM'000	Treasury related commitments and contingencies RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	-	-	4,973	534,214	143	-	539,330	95,250	327,394
Mining and quarrying	-	-	-	-	20,914	-	-	20,914	-	12,735
Manufacturing	-	-	1,540	1,620	2,445,164	-	-	2,448,324	464,868	3,013,349
Electricity, gas and water	-	-	5,090	36,201	44,612	816	-	86,719	48,773	-
Construction	-	-	19,877	480	613,141	-	-	633,498	-	397,973
Wholesale and retail	-	-	-	72,095	2,907,873	-	-	2,979,968	-	2,558,868
Transport, storage and communications	-	-	41,185	17,289	194,518	349	-	253,341	-	77,977
Finance, insurance, real estate and business services	4,593,897	3,050,934	1,017,917	4,353,196	1,672,043	20,179	-	14,708,166	57,707,574	812,826
Government and government agencies	16,518,968	2,044,489	2,417,700	1,715,547	-	67,589	322,500	23,086,793	-	-
Education, health and other	-	-	-	-	259,049	-	-	259,049	-	-
Household	-	-	-	-	21,656,385	532	-	21,656,917	-	11,321,285
Others	-	-	-	-	1,024,379	-	-	1,024,379	103,379	234,967
	21,112,865	5,095,423	3,503,309	6,201,401	31,372,292	89,608	322,500	67,697,398	58,419,844	18,757,374

* Excludes equity instruments amounting to RM67,078,000.

[^] Excludes equity instruments (net of impairment losses) amounting to RM27,003,000.

[#] Excludes general allowances and net fair value changes arising from fair value hedges amounting to RM471,305,000 and RM137,099,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

46 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

B Credit risk (continued)

	The Bank 2008									
	Short term funds and placements with financial institutions RM'000	Securities held at fair value through profit or loss ⁺ RM'000	Available- for-sale securities* RM'000	Held-to- maturity securities# RM'000	Loans, advances and financing [~] RM'000	Other assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	On-balance sheet total RM'000	Treasury related commitments and contingencies RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	-	-	9,988	447,072	172	-	457,232	8,709	415,372
Mining and quarrying	-	-	-	-	23,473	-	-	23,473	238,508	16,440
Manufacturing	-	-	5,567	2,085	2,731,938	-	-	2,739,590	1,943,677	3,028,304
Electricity, gas and water	-	-	5,158	46,852	41,661	206	-	93,877	15,624	52,727
Construction	-	-	33,871	760	704,765	-	-	739,396	-	511,520
Wholesale and retail	-	-	4,758	72,127	3,011,401	-	-	3,088,286	-	2,755,806
Transport, storage and communications	-	-	29,521	16,474	326,037	-	-	372,032	30,601	232,489
Finance, insurance, real estate and business services	7,014,544	2,784,386	1,750,451	1,948,493	1,303,424	20,996	-	14,822,294	59,531,555	960,477
Government and government agencies	15,515,949	1,119,308	3,174,535	752,186	1,533	112,701	1,170,500	21,846,712	-	-
Education, health and other	-	-	-	-	286,666	-	-	286,666	-	179,700
Household	-	-	-	-	20,642,603	-	-	20,642,603	1,944	9,276,982
Others	-	-	-	-	1,268,597	-	-	1,268,597	895,777	578,955
	22,530,493	3,903,694	5,003,861	2,848,965	30,789,170	134,075	1,170,500	66,380,758	62,666,395	18,008,772

⁺ Excludes equity instruments amounting to RM72,336,000.

^{*} Excludes equity instruments amounting to RM693,000.

[#] Excludes equity instruments (net of impairment losses) amounting to RM26,479,000.

[~] Excludes general allowance and fair value changes arising from fair value hedges amounting to RM461,900,000 and RM21,063,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

47 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the balance sheet date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

The fair values are based on the following methodologies and assumptions:

Short term funds and placements with financial institutions

For short term funds and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For short term funds and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

Securities purchased under resale agreements

The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities of six months and above, the estimated fair values are based on discounted cash flows using market rates for the remaining term to maturity.

Securities held at fair value through profit or loss, available-for-sale and held-to-maturity

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Bank establish the fair value by using valuation techniques.

Loans, advances and financing

For floating rate loans, the carrying value is generally a reasonable estimate of fair value. For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The fair values of non-performing floating and fixed rate loans are represented by their carrying value, net of specific allowance, being the expected recoverable amount.

Other assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in "other assets and liabilities" are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For deposit with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

Deposits and placements of banks and other financial institutions, obligations on securities held under repurchase agreements ("repos"), bills and acceptances payable

The estimated fair values of deposits and placements of banks and other financial institutions, repos and bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

47 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Syndicated short term loan

The fair value of syndicated short term loan approximates the carrying value as the maturity is less than six months.

Subordinated obligations

The fair value of subordinated obligations are based on quoted market prices.

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

Foreign exchange and interest rate related contracts

The fair values of foreign exchange and interest rate related contracts are the estimated amounts the Group or the Bank would receive or pay to terminate the contracts at the balance sheet date.

Non-financial assets and liabilities

Fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of FRS 132 which requires the fair value information to be disclosed. These include other assets, statutory deposits with BNM, tax recoverable, investment in subsidiary companies, investment in associated company, prepaid lease payments, property and equipment, intangible assets and deferred tax assets.

The above mentioned range of methodologies and assumptions had been used in deriving the fair values of the Group's and the Bank's financial instruments at balance sheet date. The total fair value of each financial instrument approximates the total carrying value, except for the following:

	The Group			
	2009		2008	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
On-balance sheet items				
Financial assets:				
Loans, advances and financing [#]	34,795,414	34,790,555	34,534,024	34,054,745

	The Bank			
	2009		2008	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
On-balance sheet items				
Financial assets:				
Loans, advances and financing [#]	30,938,086	30,891,791	30,306,207	30,098,407

[#] The carrying amount of loans, advances and financing at the balance sheet date were not reduced to their estimated fair values which were a result of the increase in interest rates during the year, and the Board of Directors is of the view that there are no further impairment other than that already provided for. Loans, advances and financing have been assessed with impairment allowances being made in accordance with revised BNM/GP3.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

48 EQUITY COMPENSATION BENEFITS

Executive Share Option Scheme (“ESOS” or “Scheme”)

The Executive Share Option Scheme (“ESOS”) of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Bank, which was approved by the shareholders of the Bank on 8 November 2005, was established on 23 January 2006 and would be in force for a period of ten (10) years.

On 18 January 2006, the Bank announced that Bursa Malaysia Securities Berhad had approved-in-principle the listing of new ordinary shares of the Bank to be issued pursuant to the exercise of options under the ESOS at any time during the existence of the ESOS.

The ESOS would provide an opportunity for eligible executives who had contributed to the growth and development of the Group to participate in the equity of the Bank.

The main features of the ESOS are, inter alia, as follows:-

1. Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or directors (executive or non-executive) of the Bank and its subsidiaries. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Bank in a general meeting. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options.
2. The aggregate number of shares to be issued under the ESOS shall not exceed 15% of the issued and paid-up ordinary share capital of the Bank for the time being.
3. The Scheme shall be in force for a period of ten (10) years from 23 January 2006.
4. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Bank preceding the date of offer and shall in no event be less than the par value of the shares of the Bank.
5. The option granted to an option holder under the ESOS is exercisable by the option holder only during his employment with the Bank Group and within the option exercise period subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESOS.
6. The exercise of the options may, at the absolute discretion of the Board of Directors of the Bank, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESOS; or a combination of both new shares and existing shares.

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

- (a) 4,500,000 share options at an exercise price of RM5.72;
- (b) 21,800,000 share options at an exercise price of RM6.05;
- (c) 12,835,000 share options at an exercise price of RM5.99; and
- (d) 250,000 share options at an exercise price of RM5.75.

The said share options, if vested, will be satisfied by the transfer of existing shares purchased by a trust established for the ESOS.

Pursuant to this, a trust has been set up for the ESOS and it 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, the shares purchased for the benefit of the ESOS holdings are recorded as “Treasury Shares” in the equity on the balance sheet. The cost of operating the ESOS scheme is charged to the income statement.

The trustee will manage the trust in accordance with the trust deed. Upon termination of the trust, the trustee will dispose all remaining trust shares, if any, and deal with any surplus or deficit of the trust in accordance with the instructions of the Bank.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

48 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Option Scheme (“ESOS” or “Scheme”) (continued)

The number and market values of the ordinary shares held by the Trustee are as follows:

	The Group and The Bank			
	2009		2008	
	Number of trust shares held ‘000	Market value RM’000	Number of trust shares held ‘000	Market value RM’000
As at beginning/end of the financial year	50,000	285,000	50,000	292,500

The ordinary share options of the Bank granted under the ESOS are as follows:

- (a) 4,500,000 share options at an exercise price of RM5.72:

30 June 2009

Grant date	Expiry date	As at 1 July 2008	Cancellation/cessation	Exercised	As at 30 June 2009
29 August 2007	August 2010*	1,350,000	(150,000)	-	1,200,000
29 August 2007	August 2011*	1,575,000	(175,000)	-	1,400,000
29 August 2007	August 2012*	1,575,000	(175,000)	-	1,400,000
		4,500,000	(500,000)	-	4,000,000

30 June 2008

Grant date	Expiry date	As at 1 July 2007	Granted	Exercised	As at 30 June 2008
29 August 2007	August 2010*	-	1,350,000	-	1,350,000
29 August 2007	August 2011*	-	1,575,000	-	1,575,000
29 August 2007	August 2012*	-	1,575,000	-	1,575,000
		-	4,500,000	-	4,500,000

* The exercise period is up to 12 months from the date of notification of entitlement (“Vesting Date”)

The estimated fair value of each share option granted is between RM0.87 to RM1.01 per options. This was calculated using the Black-Scholes model. The model inputs were the share price at grant date of RM5.85, exercise price of RM5.72, expected volatility of 24%, expected yield of 4% and a risk free interest rate of 4%.

The options outstanding at 30 June 2009 had an exercise price of RM5.72 and a weighted average remaining contractual life (from grant date to the end of exercise period) of 4 years.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

48 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Option Scheme (“ESOS” or “Scheme”) (continued)

(b) 21,800,000 share options at an exercise price of RM6.05:

30 June 2009

Grant date	Expiry date	As at 1 July 2008	Cancellation/ cessation	Exercised	As at 30 June 2009
30 April 2008	January 2010*	2,616,000	-	-	2,616,000
30 April 2008	January 2011^	2,616,000	-	-	2,616,000
30 April 2008	January 2012#	1,308,000	-	-	1,308,000
30 April 2008	January 2012*	6,104,000	-	-	6,104,000
30 April 2008	January 2013^	6,104,000	-	-	6,104,000
30 April 2008	January 2014#	3,052,000	-	-	3,052,000
		21,800,000	-	-	21,800,000

30 June 2008

Grant date	Expiry date	As at 1 July 2007	Granted	Exercised	As at 30 June 2008
30 April 2008	January 2010*	-	2,616,000	-	2,616,000
30 April 2008	January 2011^	-	2,616,000	-	2,616,000
30 April 2008	January 2012#	-	1,308,000	-	1,308,000
30 April 2008	January 2012*	-	6,104,000	-	6,104,000
30 April 2008	January 2013^	-	6,104,000	-	6,104,000
30 April 2008	January 2014#	-	3,052,000	-	3,052,000
		-	21,800,000	-	21,800,000

* The exercise period is up to 6 months from the date of notification of entitlement (“Vesting Date”)

^ The exercise period is from 13th month to 18th month from the Vesting Date

The exercise period is from 25th month to 30th month from the Vesting Date

The estimated fair value of each share option granted is between RM0.73 to RM1.15 per option. This was calculated using the Black-Scholes model. The model inputs were the share price at grant date of RM6.10, exercise price of RM6.05, expected volatility of 25%, expected yield of 4% and a risk free interest rate of 4%.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

48 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Option Scheme (“ESOS” or “Scheme”) (continued)

(c) 12,835,000 share options at an exercise price of RM5.99:

30 June 2009

Grant date	Expiry date	As at 1 July 2008	Cancellation/cessation	Exercised	As at 30 June 2009
10 June 2008	January 2010*	1,540,200	(285,600)	-	1,254,600
10 June 2008	January 2011^	1,540,200	(285,600)	-	1,254,600
10 June 2008	January 2012#	770,100	(142,800)	-	627,300
10 June 2008	January 2012*	3,593,800	(666,400)	-	2,927,400
10 June 2008	January 2013^	3,593,800	(666,400)	-	2,927,400
10 June 2008	January 2014#	1,796,900	(333,200)	-	1,463,700
		12,835,000	(2,380,000)	-	10,455,000

* The exercise period is up to 6 months from the date of notification of entitlement (“Vesting Date”)

^ The exercise period is from 13th month to 18th month from the Vesting Date

The exercise period is from 25th month to 30th month from the Vesting Date

The estimated fair value of each share option granted is between RM0.65 to RM1.08 per option. This was calculated using the Black-Scholes model. The model inputs were the share price at grant date of RM6.05, exercise price of RM5.99, expected volatility of 23%, expected yield of 4% and a risk free interest rate of 4%.

(d) 250,000 shares options at an exercise price of RM5.75:

30 June 2009

Grant date	Expiry date	As at 1 July 2008	Granted	Cancellation/cessation	Exercised	As at 30 June 2009
9 July 2008	January 2010*	-	30,000	(30,000)	-	-
9 July 2008	January 2011^	-	30,000	(30,000)	-	-
9 July 2008	January 2012#	-	15,000	(15,000)	-	-
9 July 2008	January 2012*	-	70,000	(70,000)	-	-
9 July 2008	January 2013^	-	70,000	(70,000)	-	-
9 July 2008	January 2014#	-	35,000	(35,000)	-	-
		-	250,000	(250,000)	-	-

* The exercise period is up to 6 months from the date of notification of entitlement (“Vesting Date”)

^ The exercise period is from 13th month to 18th month from the Vesting Date

The exercise period is from 25th month to 30th month from the Vesting Date

The estimated fair value of each share option granted is between RM0.59 to RM1.07 per option. This was calculated using the Black-Scholes model. The model inputs were the share price at grant date of RM5.80, exercise price of RM5.75, expected volatility of 21.1%, expected yield of 4% and a risk free interest rate of 4%.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

(continued)

49 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group and the Bank make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Bank's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

(a) Allowance on loans, advances and financing

The Group and the Bank make allowance for losses on loans, advances and financing based on assessment of recoverability. Whilst management is guided by the relevant BNM guidelines, management makes judgement on the future and other key factors in respect of the recovery of loans, advances and financing. Among the factors considered are the Group's and the Bank's aggregate exposure to the borrowers, the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash flow to service debt obligations and the aggregate amount and ranking of all other creditor claims.

(b) Provision for incurred but not reported ("IBNR") claims

For the financial period ended 30 June 2009, the IBNR for HLTMT estimates have been computed by a qualified actuary, Mercer Zainal Consulting Sdn Bhd ("MERCER"). Different methods can be used to analyse past data and project past patterns into the future, however the choice of method is constrained by the fact that HLTMT only has three years of operations. MERCER has considered the Ultimate Loss Ratio ("ULR") for the IBNR estimates. The method requires a selected ULR to be applied to net earned contribution in order to project the amount of ultimate claims incurred for each loss year, then subtract claims incurred for known claims from the projected ultimate claims incurred for each loss year in order to estimate the amount of claims to be incurred for IBNR claims.

Assumptions regarding the ULR vary by class of business and take into account the following:

- (i) HLTMT's claims incurred development to date;
- (ii) Net contribution remaining after deducting wakalah fee; and
- (iii) The industry loss experience.

Actuarial liabilities for family takaful fund

For family takaful plans, the actuarial liabilities are determined by HLTMT's Appointed Actuary and were set up based on the unearned contribution reserve basis in which the proportion is equivalent to the ratio of the period from the valuation date to the period of next Tabarru deferred period and the period of cover provided by the risk charges recognised.

The following methodology is used in determining the unearned contribution reserve:

For long term liabilities, which currently consist of Mortgage Reducing Term Takaful policies, the cash flow reserves are set up for mortality benefits on a best estimate basis, which results in reserves being equal to a proportion of the risk charges, for unexpired risk or unearned contribution. Cash flow reserves for future expenses were not set up as management expenses and commissions are paid from the shareholders' fund.

50 GENERAL INFORMATION

The Bank is a public limited liability company that is incorporated and domiciled in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 July 2009.

STATEMENT BY DIRECTORS

pursuant to Section 169(15) of the Companies Act, 1965

We, Yvonne Chia and Zulkiflee Hashim, two of the Directors of Hong Leong Bank Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 68 to 167 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 30 June 2009 and of the results and cash flows of the Group and the Bank for the year then ended on that date, in accordance with the provisions of the Companies Act, 1965, the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and Bank Negara Malaysia Guidelines.

On behalf of the Board,

Yvonne Chia

Zulkiflee Hashim

Kuala Lumpur
28 August 2009

STATUTORY DECLARATION

pursuant to Section 169(16) of the Companies Act, 1965

I, Premod Paul Thomas, the officer primarily responsible for the financial management of Hong Leong Bank Berhad, do solemnly and sincerely declare that the financial statements set out on pages 68 to 167 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed Premod Paul Thomas at)
Kuala Lumpur in Wilayah Persekutuan on)
28 August 2009)

Premod Paul Thomas

Before me,

Tan Seok Kett
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

to the members of Hong Leong Bank Berhad
(Incorporated in Malaysia)
(Company No: 97141-X)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Hong Leong Bank Berhad, which comprise the balance sheets as at 30 June 2009 of the Group and of the Bank, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 68 to 167.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Bank are responsible for the preparation and fair presentation of these financial statements in accordance with the Companies Act, 1965, the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the Bank Negara Malaysia Guidelines. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements have been properly drawn up in accordance with the Companies Act, 1965, the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as of 30 June 2009 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965, in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 11 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT

to the members of Hong Leong Bank Berhad (continued)

(Incorporated in Malaysia)

(Company No: 97141-X)

OTHER MATTERS

This report is made solely to the members of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PricewaterhouseCoopers

(No. AF: 1146)

Chartered Accountants

Soo Hoo Khoon Yean

(No. 2682/10/09 (JJ))

Chartered Accountant

Kuala Lumpur

28 August 2009

OTHER INFORMATION

1. MATERIAL CONTRACT

There were no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Bank and its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad.

2. ANALYSIS OF SHAREHOLDINGS AS AT 28 AUGUST 2009

Authorised share capital	: RM3,000,000,000
Issued & paid-up capital	: RM1,580,107,034
Adjusted issued & paid-up capital (after deducting treasury shares pursuant to Section 67A of the Companies Act, 1965)	: RM1,499,014,334
Class of shares	: Ordinary shares of RM1.00 each
Voting rights	
• on show of hands	: 1 vote
• on a poll	: 1 vote for each share held

Distribution Schedule of Shareholders as at 28 August 2009

Size of Holdings	No. of Shareholders	%	No. of Shares*	%
Less than 100	295	2.17	9,109	0.00
100 – 1,000	3,201	23.50	2,801,984	0.19
1,001 – 10,000	8,550	62.77	30,950,355	2.06
10,001 – 100,000	1,325	9.73	39,013,001	2.60
100,001 – less than 5% of issued shares	246	1.81	335,148,566	22.36
5% and above of issued shares	3	0.02	1,091,091,319	72.79
	13,620	100.00	1,499,014,334	100.00

List of Thirty Largest Shareholders as at 28 August 2009

Names of Shareholders	No. of Shares	%
1. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Financial Group Berhad	828,740,168	55.29
2. Employees Provident Fund Board	139,517,819	9.31
3. Hong Leong Financial Group Berhad	122,833,332	8.19
4. AmTrustee Berhad - Exempted ESOS (HLBB)	50,000,000	3.34
5. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad	32,555,800	2.17
6. Valuecap Sdn Bhd	22,277,600	1.49
7. Amanah Raya Nominees (Tempatan) Sdn Bhd - Skim Amanah Saham Bumiputera	17,038,200	1.14

OTHER INFORMATION

(continued)

2. ANALYSIS OF SHAREHOLDINGS AS AT 28 AUGUST 2009 (continued)

List of Thirty Largest Shareholders as at 28 August 2009 (continued)

Names of Shareholders	No. of Shares	%
8. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (Norges Bank)	9,891,800	0.66
9. HLG Nominee (Tempatan) Sdn Bhd - Hong Leong Equities Sdn Bhd	9,334,500	0.62
10. Pertubuhan Keselamatan Sosial	8,162,800	0.54
11. HSBC Nominees (Tempatan) Sdn Bhd - Employees Provident Fund	8,000,000	0.53
12. Alliance Group Nominees (Tempatan) Sdn Bhd - Employees Provident Fund	7,857,200	0.52
13. Cimsec Nominees (Tempatan) Sdn Bhd - Rakaman Anggun Sdn Bhd	7,279,500	0.49
14. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for The Bank Of New York Mellon (Mellon Acct)	6,589,905	0.44
15. Citigroup Nominees (Asing) Sdn Bhd - Citigroup Global Markets Limited	5,747,600	0.38
16. Low Poh Weng	5,451,300	0.36
17. Permodalan Nasional Berhad	5,000,000	0.33
18. HLG Nominee (Tempatan) Sdn Bhd - Chew Brothers Development Corporation Sdn Bhd	4,659,385	0.31
19. HSBC Nominees (Asing) Sdn Bhd - The Bank of Nova Scotia	4,475,500	0.30
20. HSBC Nominees (Asing) Sdn Bhd - Vanguard Emerging Markets Stock Index Fund	4,336,636	0.29
21. Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for Royal Bank Of Canada (Asia) Limited - Clients A/C	3,935,000	0.26
22. Cartaban Nominees (Asing) Sdn Bhd - Government Of Singapore	3,303,600	0.22
23. Cartaban Nominees (Asing) Sdn Bhd - Ishares, Inc.	3,141,800	0.21
24. Amanah Raya Nominees (Tempatan) Sdn Bhd - AS 1Malaysia	3,065,300	0.20
25. Cartaban Nominees (Asing) Sdn Bhd - Teacher Retirement System Of Texas	2,994,270	0.20
26. Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for Prudential Fund Management Berhad	2,987,400	0.20
27. Pakar Indra Sdn Bhd	2,810,500	0.19
28. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U.A.E)	2,782,160	0.19
29. Citigroup Nominees (Asing) Sdn Bhd - Legal & General Assurance Society Limited	2,415,795	0.16
30. Cartaban Nominees (Asing) Sdn Bhd - Aberdeen Asian Income Fund Limited	2,350,000	0.16
	1,329,534,870	88.69

OTHER INFORMATION

(continued)

2. ANALYSIS OF SHAREHOLDINGS AS AT 28 AUGUST 2009 (continued)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Bank as at 28 August 2009 are as follows:-

Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
Hong Leong Financial Group Berhad ("HLFG")	951,573,500	63.48	11,831,600	0.79 ^A
Hong Leong Company (Malaysia) Berhad ("HLCM")	-	-	965,605,100	64.42 ^B
HL Holdings Sdn Bhd	-	-	965,605,100	64.42 ^C
Tan Sri Quek Leng Chan	-	-	965,745,100	64.43 ^D
Hong Realty (Private) Limited	-	-	965,705,100	64.42 ^E
Hong Leong Investment Holdings Pte Ltd	-	-	965,705,100	64.42 ^E
Kwek Holdings Pte Limited	-	-	965,705,100	64.42 ^E
Kwek Leng Beng	-	-	965,705,100	64.42 ^E
Davos Investment Holdings Private Limited	-	-	965,705,100	64.42 ^E
Kwek Leng Kee	202,500	0.01	965,705,100	64.42 ^E
Quek Leng Chye	-	-	965,705,100	64.42 ^E
Guoco Assets Sdn Bhd	-	-	963,405,100	64.27 ^F
GuoLine Overseas Limited	-	-	965,605,100	64.42 ^G
Guoco Group Limited	-	-	965,605,100	64.42 ^G
GuoLine Capital Assets Limited	-	-	965,605,100	64.42 ^G
Employees Provident Fund Board	141,411,119	9.43	21,474,220	1.43

Notes:

^A Held through a subsidiary

^B Held through subsidiaries

^C Held through HLCM

^D Held through HLCM and companies in which the substantial shareholder has interest

^E Held through HLCM and a company in which the substantial shareholder has interest

^F Held through HLFG

^G Held through HLFG and another subsidiary

OTHER INFORMATION

(continued)

3. DIRECTORS' INTERESTS AS AT 28 AUGUST 2009

Subsequent to the financial year end, there is no change, as at 28 August 2009, to the Directors' interests in the ordinary shares/options/convertible bonds of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 61 to 65 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 except for the changes set out below:

	No. of ordinary shares	%
Indirect Interests		
YBhg Tan Sri Quek Leng Chan in:		
GuocoLand Limited	603,070,309	67.95
GuocoLeisure Limited	769,074,211	56.22
Hong Leong Industries Berhad	194,861,037	71.45

4. SHARE BUY BACK SCHEDULE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Month	No of shares bought back	Lowest price paid	Highest price paid	Average price paid	Total consideration (including transaction cost)
		RM	RM	RM	RM
July 2008	-	-	-	-	-
August 2008	-	-	-	-	-
September 2008	-	-	-	-	-
October 2008	-	-	-	-	-
November 2008	1,000	5.05	5.05	5.05	5,098
December 2008	-	-	-	-	-
January 2009	-	-	-	-	-
February 2009	-	-	-	-	-
March 2009	-	-	-	-	-
April 2009	-	-	-	-	-
May 2009	-	-	-	-	-
June 2009	1,000	5.75	5.75	5.75	5,798

OTHER INFORMATION

(continued)

5. LIST OF PROPERTIES HELD AS AT 30 JUNE 2009

Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM '000)	Date of acquisition
1. 1, Light Street Georgetown 10200 Pulau Pinang	Freehold	Branch premises	20,594	75	7,496	30/12/1986
2. 15-G-1, 15-1-1 & 15-2-1 Medan Kampung Relau Bayan Point 11900 Pulau Pinang	Freehold	Branch premises	9,968	10	2,527	26/06/1997
3. 42, Jalan Pending 93450 Kuching Sarawak	Leasehold - 999 years (31/12/2779)	Branch premises	4,425	27	2,151	27/12/1983
4. 133, 135 & 137 Jalan Kampong Nyabor 96000 Sibul Sarawak	Freehold	Branch premises	4,871	17	3,136	28/12/1992
5. Jungle land at Sungai Lisut Rejang Sarawak Occupation Ticket 612 of 1931	Leasehold - 99 years (31/12/2026)	Jungle land	1,217,938	n/a	1	31/12/1938
6. 25 & 27, Jalan Tun Ismail 25000 Kuantan Pahang Darul Makmur	Freehold	Branch premises	1,600	18	1,514	29/06/1996
7. 69, 70 & 71, Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus	Freehold	Branch premises	6,000	Pre-war	1,381	27/12/1994
8. 26, Lorong Rahim Kajai 14 Taman Tun Dr Ismail 60000 Kuala Lumpur	Freehold	Branch premises	3,750	23	552	30/12/1986
9. 120-122, Jalan Mersing 86000 Kluang Johor Darul Takzim	Leasehold - 99 years (22/8/2063)	Branch premises	3,355	43	698	31/05/1990
10. 100, Jalan Gurney 72100 Bahau Negeri Sembilan Darul Khusus	Freehold	Branch premises	5,107	23	2,488	25/06/1992
11. 12, 14 & 16, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	4,174	18	3,826	25/06/1992
12. 6, Jalan Merdeka 96100 Sarikei Sarawak	Leasehold - 60 years (31/12/2029)	Branch premises	2,240	40	102	18/10/1969

OTHER INFORMATION

(continued)

5. LIST OF PROPERTIES HELD AS AT 30 JUNE 2009 (continued)

Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM '000)	Date of acquisition
13. Vacant land at Jalan Peace Kuching Lot 2081 Section 64 KTLD, Sarawak	Leasehold - 99 years (31/12/2037)	Vacant land	22,172	n/a	36	31/12/1967
14. 63 & 65, Jalan SS 23/15 47400 Petaling Jaya Selangor Darul Ehsan	Freehold	Branch premises	4,760	14	3,824	28/04/1997
15. 24, Medan Taming 2 Taman Taming Jaya 43300 Balakong Selangor Darul Ehsan	Freehold	Branch premises	3,037	13	1,314	28/04/1997
16. 1, Jalan Takal 15/21 Seksyen 15 40000 Shah Alam Selangor Darul Ehsan	Leasehold - 99 years (29/6/2086)	Branch premises	2,625	22	1,239	26/06/1997
17. Lots 3594 & 3595 Jalan Baru Pak Sabah 23000 Dungun Terengganu Darul Iman	Leasehold - 84 years (2/2/2079)	Branch premises	3,199	15	223	26/06/1997
18. Lot 3073 & 3074 Jalan Abang Galau 97000 Bintulu, Sarawak	Leasehold - 60 years (12/2/2056)	Branch premises	2,582	12	1,264	26/06/1997
19. Lot 34, Putra Industrial Park 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Warehouse	96,219	13	2,655	26/01/1995
20. 1540, Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman	Leasehold - 55 years (28/2/2028)	Branch premises	10,619	34	52	30/06/1977
21. 9A & 9B, Jalan Kampong Baru 08000 Sungai Petani Kedah Darul Aman	Freehold	Branch premises	9,320	16	915	01/01/1994
22. 31, Jalan Ibrahim 08000 Sungai Petani Kedah Darul Aman	Freehold	Vacant	2,448	25	1	01/07/1988
23. 45, Jalan Burma 10500 Pulau Pinang	Freehold	Branch premises	14,277	31	2,192	24/11/1978
24. 33A-C, Lintang Angsana Bandar Baru Air Hitam 11500 Pulau Pinang	Leasehold - 83 years (8/4/2082)	Branch premises	4,394	14	517	26/12/1995

OTHER INFORMATION

(continued)

5. LIST OF PROPERTIES HELD AS AT 30 JUNE 2009 (continued)

Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM '000)	Date of acquisition
25. 55-57, Jalan Yang Kalsom 30250 Ipoh Perak Darul Ridzuan	Freehold	Branch premises	11,720	30	1,157	01/10/1984
26. 27, Jalan Dewangsa 31000 Batu Gajah Perak Darul Ridzuan	Leasehold - 79 years (26/2/2078)	Branch premises	4,694	14	291	24/11/1995
27. 75, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan	Freehold	Branch premises	1,900	12	632	15/06/1998
28. 80 & 82, Jalan Othman 1/14 46000 Petaling Jaya Selangor Darul Ehsan	Leasehold - 90 years (15/6/2089)	Branch premises	9,062	19	1,260	01/06/1994
29. 36, Jalan Midah 1 Taman Midah, Cheras 56000 Kuala Lumpur	Freehold	Branch premises	2,700	22	213	30/11/1984
30. 19, Jalan 54, Desa Jaya 52100 Kepong Selangor Darul Ehsan	Leasehold - 99 years (8/3/2081)	Branch premises	5,859	27	364	29/11/1985
31. 55, Jalan Pasar 55100 Kuala Lumpur	Freehold	Branch premises	4,313	29	329	01/04/1980
32. Lot 111, Jalan Mega Mendung Kompleks Bandar Off Jalan Klang Lama 58200 Kuala Lumpur	Leasehold - 99 years (11/10/2076)	Branch premises	4,978	29	502	31/07/1988
33. 161, Jalan Imbi 55100 Kuala Lumpur	Freehold	Branch premises	2,454	13	2,041	14/02/1996
34. 8A-C, Jalan Station 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	12,854	16	473	22/10/1977
35. 109, Main Road 83700 Yong Peng Johor Darul Takzim	Freehold	Branch premises	2,740	21	212	01/09/1988
36. 31 & 32, Jalan Kundang Taman Bukit Pasir 83000 Batu Pahat Johor Darul Takzim	Freehold	Branch premises	8,932	17	521	05/03/1996

OTHER INFORMATION

(continued)

5. LIST OF PROPERTIES HELD AS AT 30 JUNE 2009 (continued)

Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM '000)	Date of acquisition
37. 103, Jalan Rahmat 83000 Batu Pahat Johor Darul Takzim	Freehold	Vacant	12,222	35	648	30/06/1977
38. 26 & 28, Jalan Mersing 80050 Johor Bahru Johor Darul Takzim	Freehold	Vacant	7,040	25	1,389	22/05/1995
39. 21, Jalan Tun Razak 27600 Raub Pahang Darul Makmur	Freehold	Branch premises	4,480	23	427	26/06/1986
40. 1, Bentong Heights 28700 Bentong Pahang Darul Makmur	Freehold	Branch premises	5,432	41	39	30/06/1977
41. 36, Main Road Tanah Rata 39000 Cameron Highland Pahang Darul Makmur	Leasehold - 99 years (24/11/2039)	Branch premises	1,728	69	147	30/08/1982
42. W-1-0, W-2-0 & W-1-1 Subang Square Business Centre Jalan SS15/4G 47500 Subang Jaya Selangor Darul Ehsan	Freehold	Branch premises	4,545	10	1,908	18/12/1999
43. 2828-G-02 & 2828-1-02 Jalan Bagan Luar 12000 Butterworth Pulau Pinang	Freehold	Branch premises	12,173	10	3,618	18/12/1999
44. Lots 568-G-17 & 568-1-17 Kompleks Mutiara 3 1/2 Mile Jalan Ipoh 51200 Kuala Lumpur	Freehold	Branch premises	4,945	10	3,330	23/11/1999
45. Plot No 20, Jalan Bidor Raya 35500 Bidor Perak Darul Ridzuan	Freehold	Branch premises	3,243	10	556	23/11/1999
46. 1, Persiaran Greentown 2 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan	Leasehold - 99 years (21/11/2094)	Branch premises	7,870	9	1,966	23/11/1999
47. Lots 39 & 40 Kompleks Munshi Abdullah 75100 Melaka	Leasehold - 99 years (24/2/2084)	Branch premises	5,988	10	1,484	31/05/1991

OTHER INFORMATION

(continued)

5. LIST OF PROPERTIES HELD AS AT 30 JUNE 2009 (continued)

Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM '000)	Date of acquisition
48. No. 1 & 2 Jalan Raya 09800 Serdang Kedah Darul Aman	Freehold	Branch premises	5,840	8	422	20/09/2000
49. 133 & 135, Jalan Gopeng 31900 Kampar Perak Darul Ridzuan	Freehold	Branch premises	4,700	8	346	13/12/2000
50. 65-67, Jalan Tun HS Lee 50000 Kuala Lumpur	Freehold	Vacant	2,223	13	5,007	14/10/1996
51. 34, Jalan Yong Shook Lin 46200 Petaling Jaya Selangor Darul Ehsan	Leasehold - 99 years (09/09/2059)	Branch premises	1,875	16	556	26/11/1993
52. 8, Jalan Carpenter Street 93000 Kuching Sarawak	Leasehold - 999 years (31/12/2775)	Vacant	1,860	40	1	25/08/1969
53. 64, Jalan Tun Mustapha 87007 Labuan	Leasehold - 999 years (31/12/2775)	Branch premises	1,370	18	636	30/05/1991
54. 486, Jalan Pudu 55100 Kuala Lumpur	Freehold	Vacant	2,396	12	1,394	22/08/1997
55. Island Road Sibu Lot 454, Block 5 Sibu Town District Sarawak	Leasehold - 60 years (30/11/2055)	Vacant	10,587	13	1,279	26/02/1996
56. 159, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	4	2,608	25/11/2005
57. 163, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	4	2,663	25/10/2005
58. 1, Jalan Ambong Kiri Satu (Jalan 7) Kepong Baru 52100 Kuala Lumpur	Freehold	Vacant	13,300	3	3,860	18/10/2005
59. 114 & 116, Jalan Cerdas Taman Connaught 56000 Kuala Lumpur	Leasehold - 99 years (16/10/2078)	Branch premises	12,200	3	4,109	07/06/2006
60. Lot A08-A09 Jalan SS 6/5A, Dataran Glomac Pusat Bandar Kelana Jaya 47301 Petaling Jaya	Freehold	Vacant	9,800	3	2,796	06/07/2006

OTHER INFORMATION

(continued)

5. LIST OF PROPERTIES HELD AS AT 30 JUNE 2009 (continued)

Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM '000)	Date of acquisition
61. No. 2 Jalan Puteri 2/4 Bandar Puteri Puchong 47100 Selangor Darul Ehsan	Freehold	Vacant	11,850	2	1	26/06/2007
62. Lot No. PT241 Petaling Jaya District of Petaling Selangor Darul Ehsan	Leasehold - 99 years (14/08/2094)	Branch premises	194,489	1	1	21/07/2008

NETWORK OF BRANCHES

HEAD OFFICE

Level 2
Wisma Hong Leong
18, Jalan Perak
50450 Kuala Lumpur
Wilayah Persekutuan
Tel : 03-2164 2775
Fax : 03-2164 1511

PENINSULAR MALAYSIA

WILAYAH PERSEKUTUAN

1. No. 34, 36 & 38
Jalan Petaling
50000 Kuala Lumpur
Tel : 03-2072 3226
Fax : 03-2026 3048
2. Ground & 1st Floor
Bangunan PLC
No. 279 & 281
Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Tel : 03-2691 5588
Fax : 03-2691 3629
3. Lot G01A - G02A
Ground Floor, Wisma MPL
Jalan Raja Chulan
50200 Kuala Lumpur
Tel : 03-2143 0641
Fax : 03-2142 8671
4. No. 47 & 48, Jalan Chow Kit
50350 Kuala Lumpur
Tel : 03-4043 7397
Fax : 03-4043 1914
5. Level 1
Wisma Hong Leong
18, Jalan Perak
50450 Kuala Lumpur
Tel : 03-2164 2828
Fax : 03-2164 1511
6. No. 110, Jalan Tun Sambanthan
50470 Kuala Lumpur
Tel : 03-2274 1081
Fax : 03-2273 6995
7. No. 2, Jalan 22A/70A
Desa Sri Hartamas
50480 Kuala Lumpur
Tel : 03-6201 3749
Fax : 03-6201 4034
8. Lot G-03, Ground Floor
Wisma Perintis
Jalan Dungun
Damansara Heights
50490 Kuala Lumpur
Tel : 03-2094 0069
Fax : 03-2093 9054
9. Lot 568-G-17 & Lot 568-1-17
Kompleks Mutiara
3 1/2 Mile, Jalan Ipoh
51200 Kuala Lumpur
Tel : 03-6258 3801
Fax : 03-6258 3804
10. 471 & 473, Batu 3
Jalan Ipoh, 51200 Kuala Lumpur
Tel : 03-4044 3151
Fax : 03-4044 4606
11. No. 44 & 46, Block A
Plaza Sinar, Jalan 8/38D
Taman Sri Sinar, Segambut
51200 Kuala Lumpur
Tel : 03-6272 9637
Fax : 03-6272 9736
12. 1, Jalan Ambong Kiri Dua
Kepong Baru
52100 Kuala Lumpur
Tel : 03-6257 1022
Fax : 03-6251 9717
13. No. 266 & 267, Jalan Bandar 12
Taman Melawati
53100 Kuala Lumpur
Tel : 03-4106 9391
Fax : 03-4107 0152
14. No. 8 & 10, Jalan 3/50C
Taman Setapak Indah Jaya
Off Jalan Genting Kelang
53300 Kuala Lumpur
Tel : 03-4023 9048
Fax : 03-4023 9041
15. No. 3, Jalan 45/26
Taman Sri Rampai
53300 Kuala Lumpur
Tel : 03-4025 1378
Fax : 03-4025 4231
16. Lot G-06
Wisma Bukit Bintang
No. 28, Jalan Bukit Bintang
55100 Kuala Lumpur
Tel : 03-2142 9943
Fax : 03-2144 4802
17. 147, Jalan Imbi
55100 Kuala Lumpur
Tel : 03-2141 1402
Fax : 03-2141 1429
18. 180-0-7 & 180-0-8
Wisma Mahkota, Taman Maluri
Cheras, 55100 Kuala Lumpur
Tel : 03-9282 1507
Fax : 03-9282 1549
19. No. 23GM & 25GM
Jalan Pandan Indah 4/8
Pandan Indah
55100 Kuala Lumpur
Tel : 03-4280 0879
Fax : 03-4297 2258
20. 55 - 57 Jalan Pasar
55100 Kuala Lumpur
Tel : 03-9223 5249
Fax : 03-9223 0527
21. No.6 Jalan Kenanga
55200 Kuala Lumpur
Tel : 03-9222 1499
Fax : 03-9222 1507
22. No.1-GM Jalan Perdana 4/6
Pandan Perdana
55300 Kuala Lumpur
Tel : 03-9287 7369
Fax : 03-9287 7630
23. 36, Jalan Midah 1
Taman Midah, Cheras
56000 Kuala Lumpur
Tel : 03-9130 8912
Fax : 03-9131 0433
24. No. 114 & 116, Jalan Cerdas
Taman Connaught, Cheras
56000 Kuala Lumpur
Tel : 03-9102 1501
Fax : 03-9102 1497
25. No. 50, Jalan Manis 1
Taman Segar, Cheras
56100 Kuala Lumpur
Tel : 03-9133 2924
Fax : 03-9132 1370

NETWORK OF BRANCHES

(continued)

26. No. 71 & 73
Jalan Radin Tengah, Zone J 4
Bandar Baru Seri Petaling
57000 Kuala Lumpur
Tel : 03-9058 2349
Fax : 03-9057 8041

27. A54 Jalan Tuanku Empat
Salak South Garden
Off Jalan Sungei Besi
57100 Kuala Lumpur
Tel : 03-7982 9157
Fax : 03-7982 9210

28. No. 7 & 9, Jalan 2/109F
Plaza Danau 2
Taman Danau Desa
Off Jalan Klang Lama
58100 Kuala Lumpur
Tel : 03-7982 7478
Fax : 03-7987 7868

29. No. 31 & 33, Jalan 1/116B
Kuchai Entrepreneurs Park
Off Jalan Kuchai Lama
58200 Kuala Lumpur
Tel : 03-7982 6462
Fax : 03-7980 9324

30. 111, Jalan Mega Mendung
Kompleks Bandar
Off Jalan Kelang Lama
58200 Kuala Lumpur
Tel : 03-7981 4251
Fax : 03-7982 7811

31. 30-34, Jalan Awan Hijau
Oversea Union Garden
Jalan Kelang Lama
58200 Kuala Lumpur
Tel : 03-7983 6612
Fax : 03-7981 7324

32. 26, Persiaran Ara Kiri
Lucky Garden, Bangsar
59100 Kuala Lumpur
Tel : 03-2093 8430
Fax : 03-2094 3745

33. No. 37, Jalan Telawi 3
Bangsar Baru
59100 Kuala Lumpur
Tel : 03-2284 3709
Fax : 03-2284 3349

34. 3rd Floor
26, Lorong Rahim Kajai 14
Taman Tun Dr Ismail
60000 Kuala Lumpur
Tel : 03-7729 3719
Fax : 03-7728 6312

SELANGOR DARUL EHSAN

35. No 91, Lorong Memanda 1
Ampang Point
68000 Ampang
Tel : 03-4252 3411
Fax : 03-4253 2505

36. 1G-3G
Jalan Wawasan 2/10
Bandar Baru Ampang
68000 Ampang
Tel : 03-4291 0437
Fax : 03-4292 8006

37. No. 7 & 9,
Jalan Bunga Tanjung 6A
Taman Putra
68000 Ampang
Tel : 03-4292 9867
Fax : 03-4293 9898

38. No. 3, Jalan Takal 15/21
Seksyen 15
40000 Shah Alam
Tel : 03-5510 9023
Fax : 03-5510 5307

39. No. 26
Jalan Tengku Ampuan
Zabedah D9/D, Seksyen 9
40100 Shah Alam
Tel : 03-5880 8047
Fax : 03-5880 8726

40. No. 29
Jalan Anggerik Vanilla N 31/N
Kota Kemuning
40460 Shah Alam
Tel : 03-5123 1335
Fax : 03-5123 1635

41. Wisma Amsteel Securities
No. 1, Lintang Pekan Baru
Off Jalan Meru
41050 Kelang
Tel : 03-3343 7635
Fax : 03-3343 7621

42. 169, Jalan Teluk Pulau
41100 Klang
Tel : 03-3372 7333
Fax : 03-3372 7111

43. No. 68
Lorong Batu Nilam 4A
Bandar Bukit Tinggi
41200 Klang
Tel : 03-3324 2832
Fax : 03-3324 1339

44. No. 1 & 3
Jalan Sri Sarawak 17
Taman Sri Andalas
41200 Klang
Tel : 03-3324 2546
Fax : 03-3324 2553

45. No.36
Jalan Dato Shahbudin 30
Taman Sentosa
41200 Klang
Tel : 03-5161 1679
Fax : 03-5161 1919

46. 20, Jalan Goh Hock Huat
41400 Klang
Tel : 03-3342 8036
Fax : 03-3344 8872

47. No. 119 & 121
Jalan Sultan Abdul Samad
42700 Banting
Tel : 03-3187 6758
Fax : 03-3187 6652

48. No. 174 & 174A, Jalan Besar
42800 Tanjung Sepat
Kuala Langat
Tel : 03-3197 2149
Fax : 03-3197 2257

49. 30, Persiaran Tun Abdul Aziz
43000 Kajang
Tel : 03-8736 5277
Fax : 03-8736 8133

50. No. 11 & 13, Jalan M/J 1
Taman Majlis Jaya
Jalan Sungai Chua
43000 Kajang
Tel : 03-8737 6090
Fax : 03-8737 6517

NETWORK OF BRANCHES

(continued)

- | | | |
|---|--|---|
| 51. 1 & 3, Jalan Seri Tanming 1 F
Taman Seri Tanming
Batu 9, 43200 Cheras
Tel : 03-9100 4559
Fax : 03-9100 3760 | 61. 12 & 14, Jalan PJS 11/28A
Metro Bandar Sunway
Bandar Sunway
46150 Petaling Jaya
Tel : 03-5637 5396
Fax : 03-5637 5397 | 71. No. 25-29G
Jalan SS 21/60
47400 Damansara Utama
Petaling Jaya
Tel : 03-7722 4193
Fax : 03-7726 4037 |
| 52. No. 24, Medan Taming 2
Taman Taming Jaya
43300 Balakong
Tel : 03-8961 5949
Fax : 03-8961 5951 | 62. 34 & 36
Jalan Yong Shook Lin
46200 Petaling Jaya
Tel : 03-7957 9302
Fax : 03-7958 1032 | 72. 63 & 65, SS23/15
Taman SEA
47400 Petaling Jaya
Tel : 03-7804 9053
Fax : 03-7804 4049 |
| 53. 29-1, Jalan SP 2/1
Taman Serdang Perdana
43300 Seri Kembangan
Tel : 03-8943 0795
Fax : 03-8943 0867 | 63. No. 18 & 20, Jalan 20/16A
Taman Paramount
46300 Petaling Jaya
Tel : 03-7876 5131
Fax : 03-7876 4836 | 73. No. 16, Jalan SS19/6
47500 Subang Jaya
Tel : 03-5636 8295
Fax : 03-5632 1313 |
| 54. No. 1505B, Jalan Besar
43300 Seri Kembangan
Tel : 03-8948 3341
Fax : 03-8948 5031 | 64. No. 64, Jalan BRP 1/2
Bukit Rahman Putra
47000 Sungai Buloh
Tel : 03-6156 0195
Fax : 03-6157 5610 | 74. W-1-0, W-2-0 & W-1-1
Subang Square Business Centre
Jalan SS15/4G
47500 Subang Jaya
Tel : 03-5632 9068
Fax : 03-5632 8764 |
| 55. No. 7 & 9
Jalan Pasar Baru 2
Seksyen 3
Bandar Semenyih
43500 Semenyih
Tel : 03-8724 9424
Fax : 03-8724 7743 | 65. No. 30, Jalan Public
Sungai Buloh New Village
47000 Sungai Buloh
Tel : 03-6157 4286
Fax : 03-6156 9796 | 75. Ground Floor
No. 22, Jalan USJ 10/1
47620 Subang Jaya
Tel : 03-5636 7225
Fax : 03-5636 7230 |
| 56. No. 64, Jalan Stesen
45000 Kuala Selangor
Tel : 03-3289 5958
Fax : 03-3289 5955 | 66. No. 48, Jalan Bandar Tiga
Pusat Bandar Puchong
47100 Puchong
Tel : 03-5882 1297
Fax : 03-5882 2869 | 76. Lot G-18 & G-19
Perdana The Palace
Damansara Perdana
47820 Petaling Jaya
Tel : 03-7724 2459
Fax : 03-7724 2167 |
| 57. No.15 & 16
Jalan Menteri Besar 2
New Sekinchan Business Centre
45400 Sekinchan
Tel : 03-3241 6352
Fax : 03-3241 6303 | 67. No. 2, Jalan Kinrara
Taman Kinrara, Jalan Puchong
47100 Puchong
Tel : 03-8075 1486
Fax : 03-8070 1635 | 77. No. 59A, Jalan Welman
48000 Rawang
Tel : 03-6091 0460
Fax : 03-6093 4482 |
| 58. 80 & 82 Jalan Othman (1/14)
46000 Petaling Jaya
Tel : 03-7781 4261
Fax : 03-7781 0133 | 68. No. E-01-07 & E-01-08
Jalan Puchong Prima 5/3
Puchong Prima, 47100 Puchong
Tel : 03-8068 3285
Fax : 03-8060 5427 | 78. 19 Jalan 54, Desa Jaya
52100 Kepong
Tel : 03-6276 3701
Fax : 03-6272 2012 |
| 59. Lot 9, Jalan 227C
46100 Petaling Jaya
Tel : 03-7954 1896
Fax : 03-7960 0706 | 69. No. 14 & 15, Jalan Kenari 1
Bandar Puchong Jaya
47100 Puchong
Tel : 03-8076 6697
Fax : 03-8076 6610 | 79. No. 23 & 24, Jalan KIP 1
Taman Perindustrian KIP
52200 Selangor
Tel : 03-6277 4614
Fax : 03-6272 2687 |
| 60. 18, Ground Floor
Jalan 14/14
46100 Petaling Jaya
Tel : 03-7956 8101
Fax : 03-7955 0425 | 70. 39, Jalan SS2/67
47300 Petaling Jaya
Tel : 03-7876 9372
Fax : 03-7876 9846 | 80. Wisma Keringat 2
No. 17, Lorong Batu Caves 2
68100 Batu Caves
Tel : 03-6187 7464
Fax : 03-6187 8042 |

NETWORK OF BRANCHES

(continued)

81. No. 8, Jalan SG 1/2
Taman Seri Gombak
68100 Batu Caves
Tel : 03-6184 2492
Fax : 03-6185 2689

82. No.39 & 41, Jalan SJ 17
Taman Selayang Jaya
68100 Batu Caves
Tel : 03-6120 6813
Fax : 03-6120 6797

PERLIS INDERA KAYANGAN

83. No. 40 & 42
Jalan Bukit Lagi
01000 Kangar
Tel : 04-9770 366
Fax : 04-9772 888

KEDAH DARUL AMAN

84. 1540 Jalan Sultan Badlishah
05000 Alor Setar
Tel : 04-7317 255
Fax : 04-7311 514

85. No. 24, 26 & 28
Jalan Teluk Wanjah
05200 Alor Setar
Tel : 04-7312 969
Fax : 04-7314 582

86. 9A & 9B
Jalan Kampung Baru
08000 Sungai Petani
Tel : 04-4205 212
Fax : 04-4226 012

87. Ground & 1st Floor
No. 64 & 65
Jalan Pengkalan
Taman Pekan Baru
08000 Sungai Petani
Tel : 04-4236 118
Fax : 04-4236 121

88. 62 & 63, Jalan Bayu Satu
09000 Kulim
Tel : 04-4913 612
Fax : 04-4913 604

89. No. 1 & 2, Jalan Raya
09800 Serdang
Tel : 04-4076 913
Fax : 04-4076 921

PULAU PINANG

90. 45 Jalan Burma
10050 Pulau Pinang
Tel : 04-2103 507
Fax : 04-2262 779

91. No 1
Light Street
Georgetown
10200 Penang
Tel : 04-2615 154
Fax : 04-2626 360

92. No. 441-G-1, 441-G-2, 441-G-3
Jalan Burmah
10350 Pulau Pinang
Tel : 04-2295 717
Fax : 04-2288 472

93. 98-G-15, Prima Tanjung
Jalan Fettes, Tanjung Tokong
10470 Pulau Pinang
Tel : 04-8991 322
Fax : 04-8998 644

94. 33A, B & C
Lintang Angsana
Bandar Baru Ayer Itam
11500 Pulau Pinang
Tel : 04-8269 836
Fax : 04-8269 843

95. 294 & 296
Jalan Jelutong
11600 Penang
Tel : 04-2812 576
Fax : 04-2812 148

96. No. 723-G-G, 723-H-G & 723-I-G
Jalan Sungai Dua
11700 Pulau Pinang
Tel : 04-6586 699
Fax : 04-6586 969

97. No. 1-G-03, Tesco Penang
No. 1, Leboh Tengku Kudin 1
Bandar Jelutong
11700 Penang
Tel : 04-6561 420
Fax : 04-6561 840

98. No 15-G-1 (Bayan Point)
Medan Kampung Relau
11900 Penang
Tel : 04-6428 644
Fax : 04-6428 640

99. 2828-G-02 & 2828-1-02
Jalan Bagan Luar
12000 Butterworth
Tel : 04-3315 660
Fax : 04-3312 145

100. 19 Jalan Bertam
13200 Kepala Batas
Seberang Prai
Tel : 04-5754 871
Fax : 04-5757 688

101. No. 6963 & 6964
Jalan Ong Yi How
Kawasan Perusahaan Raja Uda
13400 Butterworth
Tel : 04-3328 735
Fax : 04-3322 277

102. No. 1, Lebuhr Kurau 1
Taman Chai Leng
13700 Prai
Tel : 04-3977 961
Fax : 04-3977 851

103. No. 9 & 10
Jalan Todak 2, Pusat Bandar
Seberang Jaya, 13700 Prai
Tel : 04-3972 092
Fax : 04-3972 094

104. No. 4 & 6
Lorong Usahaniaga 1
Taman Usahaniaga
14000 Bukit Mertajam
Tel : 04-5370 453
Fax : 04-5370 454

105. 1781, Jalan Nibong Tebal
Taman Panchor Indah
14300 Pulau Pinang
Tel : 04-5941 942
Fax : 04-5942 886

KELANTAN DARUL NAIM

106. PT 226 & 227
Jalan Kebun Sultan
15350 Kota Baru
Tel : 09-7470 934
Fax : 09-7473 799

NETWORK OF BRANCHES

(continued)

TERENGGANU DARUL IMAN

107. 116, Jalan Pejabat
20000 Kuala Terengganu
Tel : 09-6244 464
Fax : 09-6244 261

108. Lot 3594 & 3595
Jalan Baru Pak Sabah
23000 Dungun
Tel : 09-8482 766
Fax : 09-8484 480

PAHANG DARUL MAKMUR

109. No. 25
Jalan Tun Ismail
25000 Kuantan
Tel : 09-5157 158
Fax : 09-5157 130

110. A125 & A127
Jalan Air Putih
25300 Kuantan
Tel : 09-5683 277
Fax : 09-5684 359

111. 21 Jalan Tun Razak
27600 Raub
Tel : 09-3554 423
Fax : 09-3554 455

112. F107 Jalan Kuantan
28000 Temerloh
Tel : 09-2967 492
Fax : 09-2967 553

113. 59 & 60
Jalan Temerloh
Locked Bag No. 9
28409 Mentakab
Tel : 09-2772 954
Fax : 09-2772 995

114. 1 Bentong Heights
28700 Bentong
Tel : 09-2221 080
Fax : 09-2223 592

115. 36 Main Road, Tanah Rata
39000 Cameron Highlands
Tel : 05-4915 158
Fax : 05-4911 158

PERAK DARUL RIDZUAN

116. 75, Jalan Sultan Idris Shah
30000 Ipoh
Tel : 05-2554 482
Fax : 05-2547 335

117. No.28, Medan Silibin
30100 Ipoh
Tel : 05-5281 553
Fax : 05-5264 333

118. Ground Floor
55-57 Jalan Yang Kalsom
30250 Ipoh
Tel : 05-2559 591
Fax : 05-2542 323

119. Lot-A-G-2 (Ground Floor)
No 1, Persiaran Greentown 2
Greentown Business Centre
30450 Ipoh
Tel : 05-2530 048
Fax : 05-2555 251

120. 27 Jalan Dewangsa
31000 Batu Gajah
Tel : 05-3653 192
Fax : 05-3653 190

121. No. 91 & 93
Jalan Dato Lau Pak Khuan
Ipoh Garden
31400 Ipoh
Tel : 05-5465 359
Fax : 05-5495 158

122. No. 17, Jalan Persiaran
Kledang Timur 21
Bandar Baru Menglembu
31450 Ipoh
Tel : 05-2829 367
Fax : 05-2829 372

123. 579 & 579A
Jalan Pasir Puteh
31650 Ipoh
Tel : 05-3229 653
Fax : 05-3229 641

124. 133 & 135 Jalan Gopeng
31900 Kampar
Tel : 05-4665 778
Fax : 05-4665 191

125. No. 16 & 17
Taman Sitiawan Maju
Jalan Lumut
32000 Sitiawan
Tel : 05-6922 317
Fax : 05-6922 320

126. No.53, 55 & 57
Jalan Stesyen, 34000 Taiping
Tel : 05-8065 446
Fax : 05-8065 631

127. 41, Jalan Taiping
34200 Parit Buntar
Perak Darul Ridzuan
Tel : 05-7164 689
Fax : 05-7163 648

128. N-20, Jalan Bidor Raya
Off Jalan Persatuan
35500 Bidor
Tel : 05-4341 212
Fax : 05-4344 313

129. 11 & 12
Kompleks Menara Condong
Jalan Ah Chong
36000 Teluk Intan
Tel : 05-6237 277
Fax : 05-6233 642

NEGERI SEMBILAN DARUL KHUSUS

130. No. 69, 70 & 71
Jalan Dato Bandar Tunggal
70000 Seremban
Tel : 06-7628 781
Fax : 06-7638 288

131. 1278 Jalan Rasah
70300 Seremban
Tel : 06-7615 789
Fax : 06-7615 801

132. 9267 Jalan TS 2/1 H
Taman Semarak 2, 71800 Nilai
Tel : 06-7991 752
Fax : 06-7991 755

133. 112 Jalan Yam Tuan Raden
72000 Kuala Pilah
Tel : 06-4816 928
Fax : 06-4813 284

134. 100, Jalan Gurney
72100 Bahau
Tel : 06-4542 980
Fax : 06-4545 358

NETWORK OF BRANCHES

(continued)

MELAKA

135. 150 & 152,
Kompleks Munshi Abdullah
Jalan Munshi Abdullah
75100 Melaka
Tel : 06-2816 735
Fax : 06-2830 399
136. No. 102 & 104,
Jalan Suria 2
Taman Malim Jaya
75250 Melaka
Tel : 06-3343 170
Fax : 06-3343 067
137. 345, Jalan Ong Kim Wee
75300 Melaka
Tel : 06-2842 310
Fax : 06-2830 153

JOHOR DARUL TAKZIM

138. 12 - 16
Jalan Wong Ah Fook
80000 Johor Bahru
Tel : 07-2228 312
Fax : 07-2249 317
139. No 8, Jalan Station
80000 Johor Bahru
Tel : 07-2228 462
Fax : 07-2763 085
140. 37, Jalan Harimau Tarum
Taman Century
80250 Johor Bahru
Tel : 07-3335 909
Fax : 07-3315 559
141. No. 173 & 175
Jalan Sri Pelangi
Taman Pelangi
80400 Johor Bahru
Tel : 07-3353 614
Fax : 07-3342 598
142. No. 6 & 7, Jalan Anggerik 1
Taman Kulai Utama
81000 Kulai
Tel : 07-6635 282
Fax : 07-6632 336
143. 80 Jalan Dedap 13
Taman Johor Jaya
81100 Johor Bahru
Tel : 07-3546 320
Fax : 07-3552 311
144. Lot No. S 122, KIP Mart
Taman Tampoi Indah
81200 Tampoi
Tel : 07-2419 832
Fax : 07-2418 061
145. No. 2, Jalan Jati
Taman Nusa Bistari Jaya
81300 Skudai
Tel : 07-5115 471
Fax : 07-5113 492
146. 6 & 8, Jalan Nakhoda 12
Taman Ungku Tun Aminah
81300 Skudai
Tel : 07-5547 690
Fax : 07-5566 682
147. No. 39 & 41
Jalan Kebudayaan 1
Taman Universiti
81300 Skudai
Tel : 07-5217 817
Fax : 07-5217 726
148. No. 17 & 18,
Jalan Cempaka
81750 Masai
Tel : 07-2526 500
Fax : 07-2526 378
149. 2 & 2-01
Jalan Permas 10/7
Bandar Baru Permas Jaya
81750 Johor Bahru
Tel : 07-3867 074
Fax : 07-3880 762
150. No. 24 & 25, Jalan Ahmad Ujan
Taman Kota Besar
81900 Kota Tinggi
Tel : 07-8832 021
Fax : 07-8835 989
151. No. 685, Jalan Taib, Pontian
82000 Johor
Tel : 07-6868 900
Fax : 07-6876 561
152. 31 & 32, Jalan Kundang
Taman Bukit Pasir
83000 Batu Pahat
Tel : 07-4334 105
Fax : 07-4317 071

153. No. 49, Jalan Jenang
83000 Batu Pahat
Tel : 07-4314 436
Fax : 07-4310 641
154. 109 Main Road
83700 Yong Peng
Tel : 07-4672 351
Fax : 07-4674 185
155. No. 61-1, 61-2, 61-3
Jalan Arab, 84000 Muar
Tel : 06-9515 127
Fax : 06-9515 215
156. No. LC 531, Jalan Payamas
84900 Tangkak
Tel : 06-9781 154
Fax : 06-9784 684
157. No. 32 & 33, Jalan Genuang
85000 Segamat
Tel : 07-9312 403
Fax : 07-9310 212
158. No. 70, Jalan Segamat
85300 Labis
Tel : 07-9251 208
Fax : 07-9251 336
159. 120 - 122, Jalan Mersing
86000 Kluang
Tel : 07-7732 234
Fax : 07-7724 170

LABUAN

160. No. 64, Jalan Tun Mustapha
87007 Labuan
Tel : 087-423 291
Fax : 087-423 289

SABAH

161. Lot 119, Jalan Gaya
88000 Kota Kinabalu
Sabah
Tel : 088-255 278
Fax : 088-223 261
162. No. 5 & 6 (Ground Floor)
Lorong Lintas Plaza 1
Lintas Plaza
88300 Kota Kinabalu
Tel : 088-318 753
Fax : 088-316 226

NETWORK OF BRANCHES

(continued)

163. Block B, 7, 11.2 km, Jalan Tuaran
Hiong Tiong Industrial Centre
88815 Inanam
Tel : 088-437 026
Fax : 088-437 302

164. 19 Jalan Haji Saman
P.O. Box 11989
88821 Kota Kinabalu
Tel : 088-235 699
Fax : 088-218 386

165. Ground Floor
Wisma Sandaraya
Humphrey Street
90000 Sandakan
Tel : 089-226 911
Fax : 089-275 499

166. Lot 1, 2 & 3, Block 18
Mile 4, North Road
Bandar Indah
90722 Sandakan
Tel : 089-217 835
Fax : 089-212 731

167. Ground & 1st Floor
Lot No.1, Block 35
Fajar Commercial Complex
Jalan Lembaga
91013 Tawau
Tel : 089-770 395
Fax : 089-770 403

SARAWAK

168. No. 35 Jalan Khoo Hun Yeang
93000 Kuching
Tel : 082-240 312
Fax : 082-415 466

169. Lots 561 & 562
Jalan Datuk Wee Kheng Chiang
Off Jalan Padungan
93100 Kuching
Tel : 082-235 660
Fax : 082-235 527

170. 296 - 297 Central Park
Commercial Centre
3rd Mile, 93200 Rock Road
Kuching
Tel : 082-236 300
Fax : 082-230 120

171. Lot 13 & 14
Olive Garden
7th Mile Bazaar
Jalan Pensrisen
93250 Kuching
(P.O. Box 99, 93700, Kuching)
Tel : 082-611 587
Fax : 082-613 422

172. No.155C, Jalan Satok
93400 Kuching
Tel : 082-257 654
Fax : 082-253 529

173. 42, Jalan Pending
93450 Kuching
Tel : 082-336 132
Fax : 082-336 912

174. No. 175, Serian Bazaar
94700 Serian
Tel : 082-874 878
Fax : 082-874 828

175. 5E, Sabu Road
P.O Box 106
95007 Sri Aman
Tel : 083-320 459
Fax : 083-320 460

176. Lot. 124, Saratok Bazaar
P.O. Box 71
95407 Saratok
Tel : 083-436 011
Fax : 083-436 012

177. Sublot 6, Lot 538
Jalan Lee Kai Teng
P.O Box 34
95700 Betong
Tel : 083-472 197
Fax : 083-472 326

178. 18, Chew Geok Lin Street
P.O Box 1461
96000 Sibul
Tel : 084-336 653
Fax : 084-316 833

179. No. 133, 135 & 137
Jalan Kampung Nyabor
96000 Sibul
Tel : 084-330 370
Fax : 084-312 081

180. 6, Jalan Merdeka
96100 Sarikei
Tel : 084-651 115
Fax : 084-652 784

181. No. 722, Jalan Masjid
P.O Box 19
96400 Mukah
Tel : 084-871 726
Fax : 084-871 737

182. 8-10, Lorong Maju
P.O. Box 279
96508 Bintangor
Tel : 084-693 431
Fax : 084-693 689

183. Lot 3073 & 3074
Jalan Abang Galau
97000 Bintulu
Tel : 086-332 293
Fax : 086-332 433

184. Lot 1090 & 1091
Jalan Merpati
98007 Miri
Tel : 085-412 133
Fax : 085-419 095

185. Ground Floor
43A, Jalan Buangsiol
98700 Limbang
Tel : 085-214 451
Fax : 085-214 452

SINGAPORE

186. 20, Collyer Quay
Unit #01-02 & 02-02
Tung Centre
Singapore 049319
Tel : 02-6349 8338
Fax : 02-6533 9340

HONG KONG

187. 50th Floor, The Center
99 Queen's Road Central
Hong Kong
Tel : 852-2283 8838
Fax : 852-2285 3138

NETWORK OF BRANCHES

(continued)

BUREAU DE CHANGE

188. Public Concourse
Sultan Ismail Airport
81250 Johor Bahru
Tel : 07-5984 467
Fax : 07-5987 379
189. Lot LCPC 05
Public Concourse Area
Passenger Level
Low Cost Airline Terminal
64000 KL International Airport
Sepang
Tel : 03-8787 3290
Fax : 03-8787 3414



FORM OF PROXY

I/We _____

of _____

being a member/members of HONG LEONG BANK BERHAD, hereby appoint _____

of _____

or failing him/her _____

of _____

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Sixty-eighth Annual General Meeting of the Bank to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 27 October 2009 at 11.00 a.m. and at any adjournment thereof.

My/Our proxy/proxies is to vote either on a show of hands or on a poll as indicated below with an "X":

RESOLUTIONS	FOR	AGAINST
1. To declare a final dividend of 15 sen per share less tax		
2. To approve the payment of Directors' fees		
3. To re-elect Mr Chew Peng Cheng as a Director		
4. To re-elect Ms Yvonne Chia as a Director		
5. To re-elect YBhg Dato' Mohamed Nazim bin Abdul Razak as a Director		
6. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Bank and authorise the Directors to fix their remuneration		
Special Business		
7. To approve the ordinary resolution on authority to Directors to issue shares		
8. To approve the Proposed Shareholders' Mandate on Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and Persons Connected with HLCM		
9. To approve the Proposed Shareholders' Mandate on Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Investment Holdings Pte Ltd ("HLIH") and Persons Connected with HLIH		
10. To approve the Proposed Renewal Of The Authority For The Purchase Of Own Shares By The Bank		

Dated this day of 2009

Number of shares held _____

Signature of member _____

Notes:-

- If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.
- If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
- A proxy need not be a member of the Bank and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Bank.
- A member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where two proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in order for the appointments to be valid. Where a member of the Bank is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two proxies in respect of each securities account it holds with ordinary shares of the Bank standing to the credit of the said securities account.
- In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
- All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time for holding the meeting or adjourned meeting.
- In the event two (2) proxies are appointed, please fill in the ensuing section:

Name of Proxies	% of shareholdings to be represented