

Group Managing Director/ Chief Executive's Review

(continued)

STRATEGIC PRIORITIES GOING FORWARD

Our 21st Century Hong Leong aspirations to embed Hong Leong Bank in the Region, in the face of a gradual and uneven global recovery as well as reforms of the financial systems, remain relevant. We will stay on course.

We will execute on 6 key organic strategic priorities in the next 18 months:

- 1) Re-assert our liquidity franchise to build volume for scale and future-proof Hong Leong Bank's competitive viability of our business lines with scale efficiency.
- 2) Focus on the efficiency of delivery, productivity of resources and IT effectiveness.
- 3) Re-invent the Branch Banking strategy and deepen embedment and customer relationships.
- 4) Build new segments and fee income.
- 5) Support expansion, transformation and growth of our regional platforms to secure future options by building new banks in new regional markets.
- 6) Deliver strategic human resource effectiveness as a key differentiator.

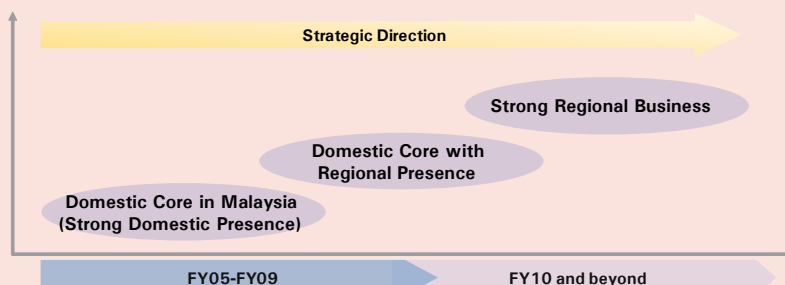
As a team, we believe by staying focused on these strategies, both organic and inorganic, we are confident of building the pace and platform for Business Transformation, Phase 2.

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
24 September 2010

"Embedding Hong Leong Bank in the Region"

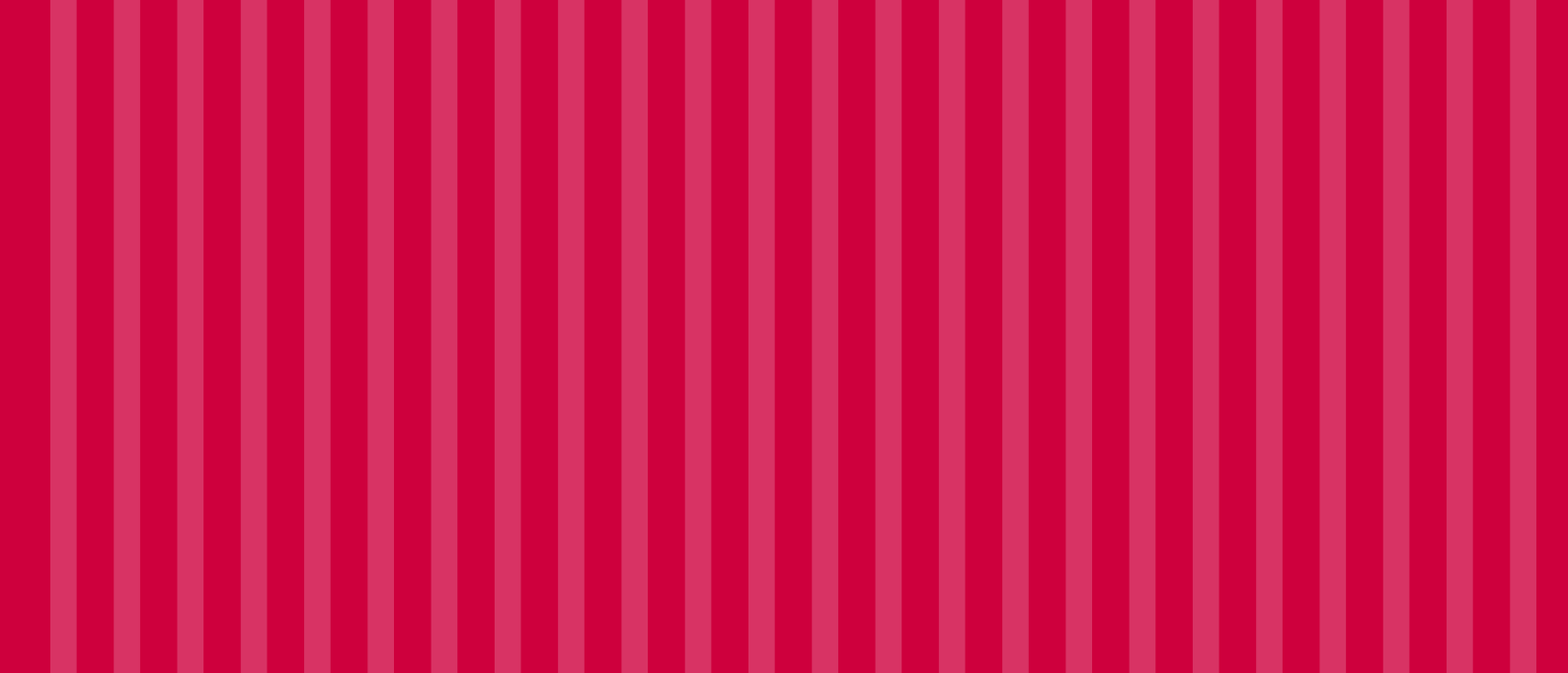
- 1) Grow, strengthen and embed our domestic core positions in Malaysia in Deposits, Branches, Personal Financial Services, Business Banking, Global Markets
- 2) Broaden the local and regional franchise of Hong Leong Islamic Bank for fee income in Islamic Wholesale and Investment Banking, Treasury and Wealth Management
- 3) Broaden the Singapore and Hong Kong branches with a more sustainable business model with competences in Treasury, Private Banking, Wealth Management, Investment Banking and Islamic Banking
- 4) Grow in China by strongly supporting and accelerating Bank of Chengdu's transformation into a market-oriented bank and build greenfield consumer finance JV company
- 5) Build Hong Leong Bank Vietnam from greenfield to recognisable, embedded local community franchise
- 6) Effective M&As that stand up to disciplined investment thesis



Corporate Social Responsibility

Long before corporate social responsibility as a single concept was promulgated into guidelines for companies to follow, the Group was already well on its journey.





Corporate Social Responsibility

(continued)

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



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 an on-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.

Corporate Social Responsibility

(continued)

- 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 has initiated structured development programmes to help develop leadership skills, technical and soft skills among different groups of employees.

As an example, HL Manufacturing Group had rolled out the IG's Total Achievers' Group Programme, initiated in Fiscal Year 2007/2008, as a structured programme to develop managerial talents into future leaders of the Group. This programme involved managers from the various companies in the HL Manufacturing Group.

The Group's Graduate Development Programme aims to identify and develop young graduates into engineering talents to support the growth of the Group. Such programme entails classroom training, on-the-job familiarisation, projects or 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 continuous partnership and collaboration between the Bank and Bank Negara to train financial industry professionals through the FSTEP programme is also one of the key initiatives to develop high caliber Malaysian graduates. The Bank provides a structured training to the graduates in the programme in all aspects of the core banking business. Upon completion of the programme, the graduates are offered career opportunities with the Bank.

The Bank's Management Associate Programme, is designed to develop graduates to be future leaders as well as to spearhead the global business expansion of the Bank. The trainees undergo an eighteen month training and exposure in various departments in the Bank, both locally and regionally, to help them appreciate and have a firm grasp of the diversity of jobs in the Bank. Ultimately, this helps the trainees 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 programmes 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 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.

Hong Leong Bank is an active, participative and involved shareholder in Bank of Chengdu Co., Ltd., China ("Bank of Chengdu") where the Bank provides comprehensive technical assistance and training programmes to Bank of Chengdu colleagues to

support and enable their transformative strategies. By October 2010, 66 batches of 1,196 personnel would have been trained, a fulfilment of 169% in terms of batches trained and 176% of personnel trained. With 8,200 training man-days delivered, skills upgrading programmes focused on credit, finance and ALM, sales and service, risk management, branch compliance/accounting/operational risk, PFS retail banking, credit cards, branch banking ops, wholesale credit, loan recovery, audit, data analytics, treasury, IT, e-banking, call centre, Management Development Programme and Management Associate Programme.

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 44 branches in Kuala Lumpur which brings the total number of branches with this certification to 107 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.

Corporate Social Responsibility

(continued)

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.

Diversity and Inclusion

With an approximate total workforce of 28,000 spread across North Asia and Southeast Asia, and the UK, 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 cultures 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 Safety 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.

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 34 Bank branches on 27 March 2010 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 the Hong Leong Foundation, the charitable arm of Hong Leong 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 academically outstanding Malaysian students from low-income families, and of late also included students with disabilities. The Foundation believes that providing scholarships is about providing opportunities – giving deserving students the chance to have the higher education necessary to break the cycle of poverty and become tomorrow's leaders.

Over 1.5 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 – they do not carry any repayment requirement nor are the recipients bonded to work for the Group upon graduation.

Corporate Social Responsibility

(continued)



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 put this educational opportunity into best use. 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 sponsored thousands of underprivileged school children nationwide in the form of distribution of free school bags, books, uniforms, stationeries, dictionaries, bicycles, tuition, transportation fees and others.

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, the Foundation has made substantial donations to various academic and vocational training institutions nationwide.

Community Welfare

Every year, the Foundation helps improve the lives of the less fortunate through its Community Welfare

Programme. Sponsorships in cash and kind are made to charities nationwide, ensuring 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 NGOs are also able to run their various training programmes more efficiently with better infrastructure, facilities and equipment sponsored by the Foundation.

The Foundation has made substantial donations to many charities over the years. In this fiscal year alone, Vinashini Home Seremban, Little Sisters of the Poor Kuala Lumpur, Education, Welfare, Research Foundation, Science of Life 24/7 Malacca, Persatuan Kanak Kanak Cerebral Palsy (Spastik) Pulau Pinang, Pusat Jagaan Nur Salam, Persatuan Daybreak Perak, Sunflower Centre Sarawak and Sabah Cheshire Home, were amongst some of them.

Apart from activities carried out by the Foundation, Group companies stage their own activities in numerous communities nationwide. The Group's employees regularly participate 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.

An inaugural carnival themed "Colourful You, Colourful Me" for underprivileged children from various children's shelters was also held this year in conjunction with the Chinese New Year. Various Group employees worked together to create an exciting and fun-filled morning for about 350 children.

Small Enterprise Programme

The people behind Hong Leong Group are 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 Ray of Hope and The Community Service Centre For the Deaf, Kuala Lumpur.

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 Kwek Leng Hai

Mr Tan Keok Yin

YBhg Dato' Mohamed Nazim Bin Abdul Razak

Mr Choong Yee How

Mr Quek Kon Sean

YBhg Datuk Kwek Leng San

Ms Lim Lean See

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-ninth Annual General Meeting of Hong Leong Bank Berhad ("Bank") will be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Wednesday, 20 October 2010 at 11.30 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 financial year ended 30 June 2010.
2. To declare a final dividend of 15 sen per share less income tax of 25% for the financial year ended 30 June 2010 to be paid on 11 November 2010 to members registered in the Record of Depositors on 27 October 2010. **(Resolution 1)**
3. To approve the payment of Directors' fees of RM516,109 for the financial year ended 30 June 2010 (2009: RM560,000), 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 Kwek Leng Hai **(Resolution 3)**
 - (b) Encik Zulkiflee Bin Hashim **(Resolution 4)**
 - (c) Mr Choong Yee How **(Resolution 5)**
 - (d) YBhg Datuk Kwek Leng San **(Resolution 6)**
 - (e) Ms Lim Lean See **(Resolution 7)**
5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Bank and authorise the Directors to fix their remuneration. **(Resolution 8)**

SPECIAL BUSINESS

As 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:

- (i) 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, ("General Mandate") provided that the aggregate number of shares issued pursuant to this General Mandate does not exceed 10% of the issued capital of the Bank ("Limitation") 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; and
- (ii) further and in addition, issue shares in the Bank in accordance with specific mandates granted to the Directors (if any) pursuant to resolutions of the shareholders passed on or at any time prior to this Annual General Meeting of the Bank but which have not yet been implemented or fully implemented ("Specific Mandates"), and that the number of shares issued pursuant to the Specific Mandates shall not be aggregated with the number of shares issued pursuant to the General Mandate and that for the avoidance of doubt, shares issued pursuant to the Specific Mandates are not subject to the Limitation which is only applicable to shares issued pursuant to the General Mandate."

(Resolution 9)

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

Notice of Annual General Meeting

(continued)

"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 28 September 2010 ("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 10)

8. 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 2010, the audited retained profits and share premium of the Bank were RM2,573 million and RM540 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,

Notice of Annual General Meeting

(continued)

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 11)

9. 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 27 October 2010 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
28 September 2010

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 9 on Authority to Directors to Issue Shares

The proposed Ordinary Resolution, if passed, will:

- (i) renew the general mandate given 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 does not exceed 10% of the issued capital of the Bank for the time being ("General Mandate"); and
- (ii) renew any specific mandates given to the Directors of the Bank to issue ordinary shares of the Bank ("Specific Mandates") passed on or at any time prior to this Annual General Meeting of the Bank and have not yet been implemented or fully implemented.

As at the date of this Notice, no new shares in the Bank were issued pursuant to the General and Specific Mandates granted to the Directors.

The General Mandate will enable the Directors to take swift action in case of, inter alia, corporate exercises which involve the issuance of shares or in the event business opportunities or other circumstances arise which involve the issue of new shares and to avoid delay and cost in convening general meetings to approve such issue of shares.

Notice of Annual General Meeting

(continued)

4. Ordinary Resolution 10 on Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Ordinary Resolution, if passed, will empower the Bank and 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 28 September 2010 which is dispatched together with the Bank's 2010 Annual Report.

5. Ordinary Resolution 11 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 28 September 2010 which is dispatched together with the Bank's 2010 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-ninth Annual General Meeting of the Bank.

Directors' Profile

■ YBHG TAN SRI QUEK LENG CHAN

Chairman/
Non-Independent

Aged 67, 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. Tan Sri Quek is the Chairman of the Board Credit Supervisory Committee ("BCSC") and a member of the Executive Committee ("EXCO"), Remuneration Committee ("RC") and Nominating Committee ("NC") of HLB.

He is the Chairman & Chief Executive Officer of Hong Leong Company (Malaysia) Berhad, a public company; Executive Chairman of Hong Leong Industries Berhad, GuocoLand (Malaysia) Berhad and Narra Industries Berhad; Chairman of Hong Leong Financial Group Berhad ("HLFG") and HLG Capital Berhad ("HLGC"), companies listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"); and Chairman of Hong Leong Assurance Berhad ("HLA"), Hong Leong Islamic Bank Berhad ("HLISB") 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 2010.



Directors' Profile

(continued)

■ MS YVONNE CHIA

Group Managing Director/
Chief Executive/
Non-Independent

Aged 57, 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 ("RHB Bank"), a position she held until March 2002. She successfully grew RHB Bank to be one of leading local banks in Malaysia and in the region during the challenging years of the Asian financial crisis (1996-2002). She further strengthened RHB Bank's position from 6th to 3rd largest bank in Malaysia through a series of mergers and acquisitions with DCB Bank Berhad and Kwong Yik Bank Berhad. She also headed a distressed bank (the former Sime Bank Berhad) under the ambit of Bank Negara Malaysia ("BNM") during the Asian financial crisis (1999/2000) while serving concurrently as the Managing Director of RHB Bank.

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 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 BCSC and the EXCO of HLB.

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 Berhad, HLISB and Prominic Berhad, all public companies.

Ms Chia attended all the ten Board Meetings of HLB held during the financial year ended 30 June 2010.

■ ENCIK ZULKIFLEE BIN HASHIM

Executive Director/
Non-Independent

Aged 51, Encik Zulkiflee Bin 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 an Executive Director of HLB on 30 July 1998 and is also a member of the EXCO and BCSC of HLB.

Encik Zulkiflee is also a Director of HLF Credit (Perak) Bhd and Prominic Berhad, both public companies.

Encik Zulkiflee attended all the ten Board Meetings of HLB held during the financial year ended 30 June 2010.

■ MR KWEK LENG HAI

Non-Executive Director/
Non-Independent

Aged 57, 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 nine out of ten Board Meetings of HLB held during the financial year ended 30 June 2010.



Directors' Profile

(continued)



■ MR TAN KEOK YIN

Non-Executive Director/
Independent

Aged 66, 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 Management Programme at the University of California, Berkeley in 1984 and a Programme in International Boards and Directors at the Swedish Academy of Directors, Stockholm in 1995.

He started his career with 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 the 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 ("BAC") and RC of HLB and is a member of the Board Risk Management Committee ("BRMC") and NC of HLB.

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

He is also a Director of HLA, a public company.

Mr Tan attended all the ten Board Meetings of HLB held during the financial year ended 30 June 2010.

■ YBHG DATO' MOHAMED NAZIM BIN ABDUL RAZAK

Non-Executive Director/
Independent

Aged 48, 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 Architects 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. YBhg Dato' is the Managing Director of NR Associates Sdn Bhd.

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

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.

YBhg Dato' attended eight out of the ten Board Meetings of HLB held during the financial year ended 30 June 2010.

Directors' Profile

(continued)

■ MR CHOONG YEE HOW

Non-Executive Director/
Non-Independent

Aged 54, 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 26 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 HLFGL.

Mr Choong was appointed to the Board of HLB on 9 March 2006 and is a member of the BCSC, NC and BRMC of HLB.

Mr Choong is also a Director of HLFGL and HLGC, companies listed on the Main Market of Bursa Securities, HLA, HLISB, Hong Leong Tokio Marine Takafu Berhad and Hong Leong Investment Bank Berhad, all public companies.

Mr Choong attended all the ten Board Meetings of HLB held during the financial year ended 30 June 2010.

■ MR QUEK KON SEAN

Non-Executive Director/
Non-Independent

Aged 30, Mr Quek Kon Sean, a Malaysian, obtained a 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 is also a Director of HLFGL and HLGC, companies listed on the Main Market of Bursa Securities and HLA, a public company.

Mr Quek attended all the ten Board Meetings of HLB held during the financial year ended 30 June 2010.

■ YBHG DATUK KWEK LENG SAN

Non-Executive Director/
Non-Independent

Aged 55, YBhg Datuk Kwek Leng San, a Singaporean, graduated from University of London with a Bachelor of Science (Engineering) degree. He also holds a Master of Science (Finance) degree from City University London. He has extensive business experience in various business sectors, including financial services and manufacturing.

YBhg Datuk Kwek was appointed to the Board of HLB on 12 January 2010.

Presently, he is the Executive Chairman of Malaysian Pacific Industries Berhad, President & Chief Executive Officer of Hong Leong Industries Berhad, Managing Director of Narra Industries Berhad, Chairman of Southern Steel Berhad, companies listed on the Main Market of Bursa Securities, and a Director of Hong Leong Company (Malaysia) Berhad, Hong Leong Foundation, Hume Industries (Malaysia) Berhad and Hong Leong Marketing Co Berhad, all public companies.

He attended all the six Board Meetings of HLB held during his office as Director of HLB for the financial year ended 30 June 2010.

■ MS LIM LEAN SEE

Non-Executive Director/
Independent

Aged 57, Ms Lim Lean See, a Malaysian, holds an Associateship in Accounting and an Associateship in Secretarial

& Administrative Practice both from the Curtin University, Australia. Her professional qualifications include being a Fellow of the Australian Society of Certified Practising Accountants, Registered Accountant with the Malaysian Institute of Accountants, a Trade Member of Financial Planning Association of Malaysia and a member of the Institut Bank-Bank Malaysia.

Ms Lim has extensive experience of 33 years in the banking industry and held various senior positions including the Head of Corporate Banking and Head of Business Banking Division, the last being the Chief Representative of a foreign bank Representative Office with the corporate rank of an Executive Director.

Ms Lim was appointed to the Board of HLB on 5 May 2010 and is a member of the BAC and BRMC of HLB.

Ms Lim attended the one Board Meeting of HLB held during her office as Director of HLB for the financial year ended 30 June 2010.

Notes:

1. Family Relationship with Director and/or Major Shareholder

Tan Sri Quek Leng Chan, Mr Kwek Leng Hai, Datuk Kwek Leng San 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 2 October, 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 Bin Awang

(resigned effective 27 October 2009)

(Independent Non-Executive Director)

YBhg Dato' Mohamed Nazim Bin Abdul Razak

(Independent Non-Executive Director)

Ms Lim Lean See

(appointed effective 5 May 2010)

(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.

Board Audit Committee Report

(continued)

MEETINGS

The BAC meets at least four (4) 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 Chief Financial Officer, Chief Risk Officer 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 seven (7) times during the financial year ended 30 June 2010. Mr Tan Keok Yin and YBhg Dato' Mohamed Nazim Bin Abdul Razak attended all the meetings held during the financial year, while YBhg Datuk Dr Hussein Bin Awang attended all three (3) meetings held prior to his resignation on 27 October 2009. There was no BAC meeting held after Ms Lim Lean See's appointment.

The Committee also had two (2) separate sessions with the external auditors without the presence of 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 and FRS139 implementation, 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.

The BAC reviewed and verified that the allocation and vesting of the conditional incentive share options granted to the option holders pursuant to the Executive Share Option Scheme of the Bank were in accordance with the performance criteria as approved by the Board.

The BAC also reviewed and approved the remuneration of the GCIA.

GROUP INTERNAL AUDIT DIVISION (GIAD)

The GIAD of HLB assists the BAC in the discharge of its duties and responsibilities. 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 prioritized accordingly to the potential risk exposure and impact.

During the financial year ended 30 June 2010, 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.

Board Audit Committee Report

(continued)

GROUP INTERNAL AUDIT DIVISION (GIAD) (continued)

GIAD participated in an advisory or consulting role in a number of products and projects reviews, which included FRS139 and 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 Group, Hong Leong Assurance Berhad, Hong Leong Tokio Marine Takaful Berhad 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 2010 was RM4.39 million.

This BAC 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

Mr Tan Keok Yin

(Acting Chairman, Independent Non-Executive Director)

Mr Raymond Choong Yee How

(Non-Independent Non-Executive Director)

Ms Helen Lim

(Independent Non-Executive Director)

SECRETARY

The Secretary to the BRMC is Ms Ch'ng Sook Kuan, Acting 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.

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.

Board Risk Management Committee Report

(continued)

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
- Chief Financial Officer
- 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 2010. YBhg Datuk Dr Hussein Awang, attended five (5) of the meetings held during the financial year prior to his resignation, while Mr Tan Keok Yin and Mr Raymond Choong Yee How attended all the meetings held during the financial year. Mr. Tan Keok Yin was appointed as Acting Chairman of the BRMC upon the resignation of YBhg Datuk Dr Hussein Awang.

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.

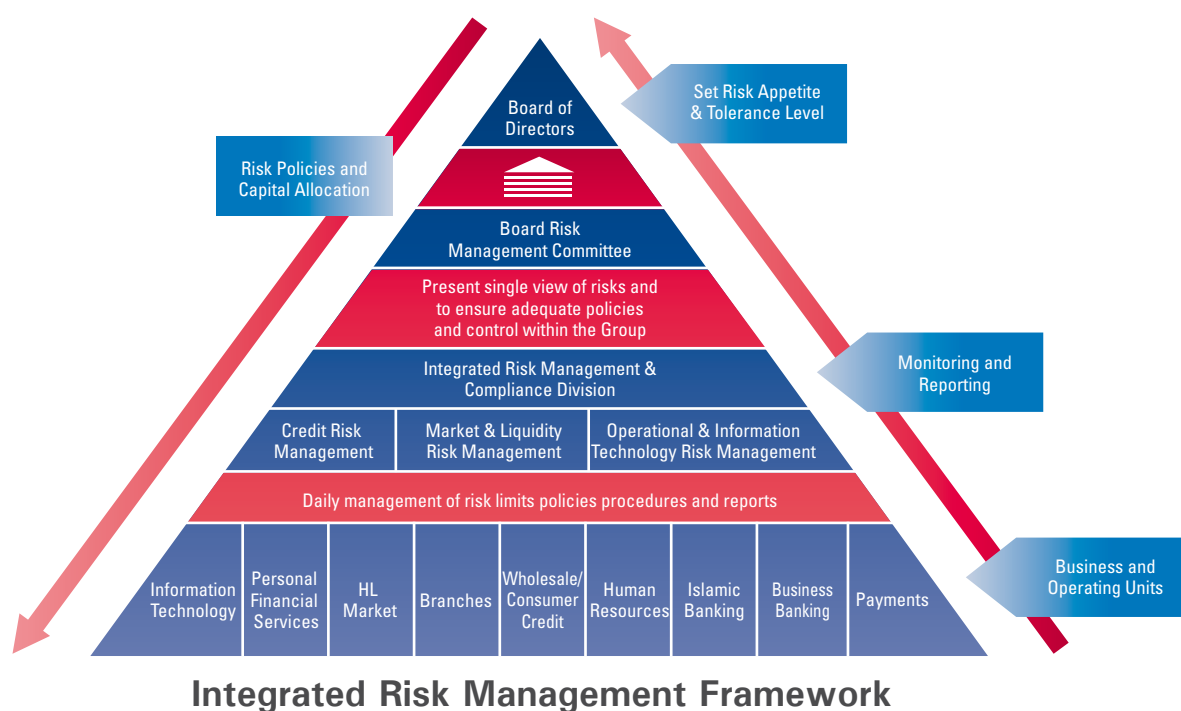
In preparation for compliance with Basel II, the BRMC also reviewed the actions taken by the Bank and its concerted effort and capital expenditure devoted for Basel II in ensuring that the Basel II Roadmap is on track.

Board Risk Management Committee Report

(continued)

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.



At the Business and Operating Units level, the 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.

Board Risk Management Committee Report

(continued)

RISK MANAGEMENT (continued)

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 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's 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.

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 Group Managing Director, 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 of 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 role 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 ten (10) directors, eight (8) of whom are non-executive. Of the non-executive directors, three (3) 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 Bank.

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

The Group Managing Director/Chief Executive ("GMD") 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.

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, and 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 2010 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.

Corporate Governance & Internal Control

(continued)

A. DIRECTORS (continued)

IV Supply of Information

All Board members are supplied with information in 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 GMD of the Bank.

V Appointments to the Board

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

YBhg Tan Sri Quek Leng Chan	<i>(Non-Independent Non-Executive Director)</i>
Mr Tan Keok Yin	<i>(Independent Non-Executive Director)</i>
Mr Choong Yee How	<i>(Non-Independent Non-Executive Director) (Appointed on 27 October 2009)</i>
Mr Kwek Leng Seng	<i>(Non-Independent Non-Executive Director) (Retired on 27 October 2009)</i>
YBhg Datuk Dr Hussein Awang	<i>(Independent Non-Executive Director) (Resigned on 27 October 2009)</i>
Mr Chew Peng Cheng	<i>(Independent Non-Executive Director) (Resigned on 2 July 2010)</i>

The NC'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.
- 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 2010, three (3) NC meetings were held and all the members attended the meetings held during their office as NC members except for Mr Kwek Leng Seng attended one out of the two (2) meetings held during his office as NC member.

The NC 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 NC 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 has prepared for the use of its directors, the Director Manual and regularly organises in-house programmes, 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.

Corporate Governance & Internal Control

(continued)

A. DIRECTORS (continued)

VII Training and Education (continued)

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.

During the financial year ended 30 June 2010, 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 legislation, 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 have 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 2010, the directors of the Bank, attended the following training programmes, seminars, briefings and/or workshops:

- Financial Institutions Directors' Education Programme
- Competency As The Backbone Of Transformation
- Talk on Governance Expectations of International Fund Managers
- How The Best Wins in Business
- BNM – Cagamas Talk on Managing Risks On Mortgage Financing
- Briefing on Goods & Services Tax Act
- EQ Leadership Development
- DB Access Asia Conference
- 14th Malaysian Banking Summit ("Liberalisation & Internationalisation" – The Next Wave In Malaysian Banking & Finance Industry)

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 bin 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 2010, 18 BCSC meetings were held and all the meetings were attended by YBhg Tan Sri Quek Leng Chan, Ms Yvonne Chia and Mr Choong Yee How while Encik Zulkiflee bin Hashim attended 15 out of the 18 meetings.

Executive Committee ("EXCO")

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

Corporate Governance & Internal Control

(continued)

B. DIRECTORS' REMUNERATION

I Level and Make-Up of Remuneration

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

Mr Tan Keok Yin	<i>(Chairman, Independent Non-Executive Director)</i>
YBhg Tan Sri Quek Leng Chan	<i>(Non-Independent Non-Executive Director)</i>
Mr Chew Peng Cheng	<i>(Independent Non-Executive Director) (Resigned on 2 July 2010)</i>

The RC'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 2010, one (1) RC meeting was held and the meeting was attended by all the members.

The Group's remuneration scheme for executive directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmark to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual plan and budget.

The level of remuneration of non-executive directors reflects the level of responsibilities undertaken by them.

II Procedure

The RC, 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 Bank at its AGM.

III Disclosure

The aggregate remuneration of directors (including directors who have been appointed/resigned/retired during the financial year, and remuneration earned as executive directors of subsidiaries) for the financial year ended 30 June 2010 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	50,000	4,655,415	4,705,415
Non-Executive Directors	775,150	222,379	997,529

Corporate Governance & Internal Control

(continued)

B. DIRECTORS' REMUNERATION (continued)

The number of directors whose remuneration (including directors who have been appointed/resigned/retired during the financial year ended 30 June 2010) falls into the following bands is as follows:

Range Of Remuneration (RM)	Executive	Non-Executive
1 – 50,000	-	3
50,001 – 100,000	-	2
100,001 – 150,000	-	5
150,001 – 200,000	-	1
1,000,001 – 1,050,000	1	-
3,650,001 – 3,700,000	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 operation.

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

In addition, the Chief Financial Officer 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:

CHIEF FINANCIAL OFFICER

Tel No : 03-2164 2828
 Fax No : 03-2164 1519
 e-mail address : Premod@hlbb.hongleong.com.my

GENERAL MANAGER, STRATEGIC PLANNING

Tel No : 03-2164 2828
 Fax No : 03-2164 1516
 e-mail address : JongAK@hlbb.hongleong.com.my

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.

Corporate Governance & Internal Control

(continued)

D. ACCOUNTABILITY AND AUDIT (continued)

During the financial year ended 30 June 2010, the BAC met seven (7) times and BRMC met six (6) times. Details of attendance of the committee members are set out in the BAC Report appearing on pages 37 to 39 and BRMC Report appearing on pages 40 to 43 of the Annual Report. The Chief Financial Officer, the Chief internal auditor, the Chief Risk Officer and the Chief Executive Officer 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.

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 and are regularly reviewed in accordance with the guidelines on the '*Statement on Internal Control: Guidance for Directors of Public Listed Companies*'.

Corporate Governance & Internal Control

(continued)

E. STATEMENT ON INTERNAL CONTROL (continued)

II Responsibilities

The Board acknowledges its overall responsibility for the internal control environment and its effectiveness in safeguarding shareholders' interests and 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.

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 organizational 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 utilization and investment of the Group assets for effective risk return rewards or to limit losses. The Bank Group's Integrated Risk Management & Compliance (IRMC) Division 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. IRMC 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 complements IRMC 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 Division (GIAD) performs the internal auditing function for the various entities in the financial services group. The GIAD 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 monthly basis and reported to the BAC quarterly. 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 IRMC for reporting to higher management and Risk Management Committee.

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 GIAD, external auditors and regulatory authorities.

Corporate Governance & Internal Control

(continued)

E. STATEMENT ON INTERNAL CONTROL (continued)

III Key Internal Control Processes (continued)

d. *Other Major Internal Controls* (continued)

- 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 2010, 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 2010

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 2010.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of commercial banking business and in the provision of related services. The principal activity of the significant subsidiary consist of Islamic Banking services. 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 12 to the financial statements. There have been no significant changes in the principal activities of the Group and the Bank 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 its steady pace transformation towards becoming a highly profitable and competitive financial services organization. In the current financial year, significant execution efforts went into re-asserting our liquidity franchise for growth and scale, addressing the yield challenge and risk-reward economics for balanced and sustained portfolio profitability, strategic asset-liability management for differentiation, efficiency and operating leverage discipline, expanding our reach, building new capabilities, building new banks in new markets, and stretching our capabilities across shores to our investments in China and Vietnam.

OUTLOOK AND BUSINESS PLAN FOR NEW FINANCIAL YEAR

The Board remains very excited with the prospects of the Group. Domestic sentiments continue to improve and the underlying fundamentals provide good headroom support as we transition into a higher income economy. There are opportunities to assert our liquidity franchise to strongly grow for scale. In a fast liberalising sector, efficiency of delivery and human capital effectiveness will continue to be our prime focus to differentiate the Bank against competitors. We do see opportunities emerging from re-shaping new segments in the domestic market, and we need to continue to stay the course to sharply enhance our branch strategy for an even more embedded relationship between our customers and the Hong Leong Bank Brand.

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.

CREDIT INFORMATION RATING

In May 2010, Rating Agency Malaysia Berhad has upgraded the Bank's long-term rating at AA1 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	17-May-10	Long Term Rating: AA1	Demonstrates strong capacity for the meeting of its financial obligations. The institution is also resilient against adverse changes in circumstances, economic conditions or operations environments.
	and reaffirmed on 30-Jul-10	Short Term Rating: P1	
	30-Jul-10	Subordinated Notes: AA2	

Directors' Report

for the financial year ended 30 June 2010
(continued)

CREDIT INFORMATION RATING (continued)

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

Rating Agency	Date Accorded	Rating Classification	Definition
Moody's Investors Services Ltd	21-Jul-10	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	12-Jul-10	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	988,020	767,817
- Minority interest	(45)	-
	987,975	767,817

DIVIDENDS

Since the last financial year ended 30 June 2009, a final dividend of 15.0 sen per share, less income tax of 25% amounting to RM163,060,233 in respect of the financial year ended 30 June 2009, was paid on 17 November 2009.

An interim dividend for the financial year ended 30 June 2010 of 9.0 sen per share less income tax at 25% amounting to RM97,864,420, was paid on 30 March 2010.

The Directors of the Bank now propose a final dividend of 15.0 sen per share, less income tax of 25%, on the Bank's adjusted issued and paid-up share capital (excluding the 81,094,700 treasury shares held pursuant to Section 67A of the Companies Act, 1965) of RM1,499,012,334 comprising 1,499,012,334 shares, amounting to RM168,638,888, for the financial year ended 30 June 2010.

SIGNIFICANTS EVENTS DURING THE FINANCIAL YEAR

- (a) 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) Vietnamese Dong. The Bank is required to incorporate HLBVN and commence operations in Vietnam within 12 months from the date of issuance of the aforesaid license.

Directors' Report

for the financial year ended 30 June 2010
(continued)

SIGNIFICANTS EVENTS DURING THE FINANCIAL YEAR (continued)

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

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

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

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

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

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

The JV Co business will principally be in consumer financing. The registered capital of SJCF shall be Renminbi ("RMB") 320 million (approximately RM160 million) and the Bank's contribution shall be RMB156.8 million (approximately RM78.4 million).

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

The JV Co was incorporated as Sichuan Jincheng Consumer Finance Limited Company on 26 February 2010 and has commenced operations on 1 March 2010.

- (d) The Bank had on 18 December 2008, announced that its wholly-owned subsidiary, HLF Credit (Perak) Berhad ("HLFCP") proposed to issue up to RM1,096.3 million nominal value of unsecured and unsubordinated bonds ("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 Proposed Bonds Issue was subject to the approval of the Securities Commission ("SC"). SC's approval was obtained on 27 February 2009. The Proposed Bonds Issue was completed on 8 October 2009.

- (e) On 17 December 2009, the Bank announced that Bank Negara Malaysia ("BNM") had, vide its letter dated 17 December 2009, no objection for the Bank to commence negotiations with certain shareholders of EON Capital Berhad ("EON Cap") for a potential acquisition of the assets and liabilities, including equity interests, in EON Cap.

On 6 January 2010, the Bank announced that BNM had, vide its letter dated 6 January 2010, no objection for the Bank to commence negotiations with the Boards of EON Cap and EON Bank Berhad ("EON Bank") for the proposed purchase of the assets and liabilities of EON Cap and EON Bank, including EON Cap's equity interest in EON Bank.

On 21 January 2010, CIMB Investment Bank Berhad ("CIMB"), on behalf of the Bank, announced that the Bank had made an offer to acquire the entire assets and liabilities of EON Cap at an aggregate purchase consideration of RM4,921,781,997 to be satisfied fully in cash.

Directors' Report

for the financial year ended 30 June 2010

(continued)

SIGNIFICANTS EVENTS DURING THE FINANCIAL YEAR (continued)

(e) On 27 January 2010, CIMB, on behalf of the Bank, announced that the Bank and EON Cap had mutually agreed to an extension of time until 2 February 2010 for EON Cap to confirm the following:

- (i) to table the offer for consideration and approval by the shareholders of EON Cap at a general meeting and take steps to issue and despatch within 5 weeks from 21 January 2010 ("Date of Offer") the notice of the general meeting and the shareholders' circular; and
- (ii) to finalise and make submissions to the relevant authorities within 4 weeks from the Date of Offer.

On 2 February 2010, CIMB, on behalf of the Bank, announced that the Bank had received a letter from EON Cap informing HLB that the Board of Directors of EON Cap had resolved not to table the offer for consideration and approval by EON Cap's shareholders, and not to submit any application to the relevant authorities for approval of the offer. Accordingly, the offer on 21 January 2010 has lapsed.

On 30 March 2010, CIMB, on behalf of the Bank, announced that the Bank made a new offer to acquire the entire assets and liabilities of EON Cap at an aggregate purchase consideration of RM4,921,781,997 to be satisfied fully in cash.

On 1 April 2010, CIMB, on behalf of the Bank, announced that the Bank has made a revised offer to acquire the entire assets and liabilities of EON Cap at an aggregate purchase consideration of RM5,060,423,744 to be satisfied fully in cash ("Offer").

On 2 April 2010, CIMB, on behalf of the Bank, announced that the Bank had received confirmation from EON Cap to, amongst others, table the Offer for consideration and approval by EON Cap's shareholders and submit the applications to the Minister of Finance and other relevant regulatory authority for approval of the Offer, in accordance with the terms of the Offer.

On 23 April 2010, CIMB, on behalf of the Bank, announced the following:

- (i) details on the proposed acquisition of the entire assets and liabilities of EON Cap at an offer price of RM5,060,423,744 to be satisfied fully in cash ("Proposed Acquisition");
- (ii) that HLB proposes to undertake a renounceable rights issue of new ordinary shares of RM1.00 each in HLB ("Rights Shares") to the entitled shareholders of HLB to raise gross proceeds of up to RM1.6 billion ("Proposed Rights Issue"); and
- (iii) that HLB had made an application to BNM on the Proposed Acquisition and Proposed Rights Issue.

On 27 May 2010, CIMB, on behalf of the Bank, announced that Bursa Securities had, through its letter dated 26 May 2010, given its approval for the listing of and quotation for the Rights Shares on the Main Market of Bursa Malaysia Securities Berhad.

On 21 June 2010, CIMB, on behalf of the Bank, announced that the Bank had, pursuant to various discussions with EON Cap, issued 2 letters dated 18 June 2010 and 19 June 2010 to EON Cap clarifying or modifying the revised offer by the Bank, details as set out in the said announcement.

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

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

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

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

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

Directors' Report

for the financial year ended 30 June 2010
(continued)

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR (continued)

- (b) On 16 July 2010, CIMB, on behalf of the Bank, announce that the Bank had received a letter dated 12 July 2010 from EON Cap requesting certain amendments to the terms of the Offer by HLB to acquire the entire assets and liabilities of EON Cap and the timelines as indicated in HLB's letters dated 18 June 2010 and 19 June 2010.

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

- (i) The Bank agrees to EON Cap's proposal that EON Cap may only accept the Offer by delivering to the Bank the acceptance as set out in the Bank's letter of Offer dated 1 April 2010, duly signed by EON Cap no later than 5 business days immediately following the date after the last of the approvals for the Offer;
 - (ii) The Bank agrees that the extraordinary general meeting of EON Cap to approve the Proposed Acquisition based on the offer price of RM5,060,423,744 shall be held by 20 August 2010, and all the approvals from BNM/Ministry of Finance (MoF), Securities Commissions (SC) and shareholders of EON Cap and HLB, on terms and conditions acceptable to HLB, are obtained and the acceptance of the Offer by EON Cap is given by 30 November 2010; and
 - (iii) the Offer is subject to all the timelines mentioned in (i) and/or (ii) above being met, unless extended by the Bank.
- (c) On 3 August 2010, CIMB, on behalf of HLB, announced that HLB had received the approval of the Minister of Finance ("MoF") through Bank Negara Malaysia ("BNM") for, inter alia, the following:
- (i) Approval under Section 45(1)(a) of the Banking and Financial Institutions Act, 1989 ("BAFIA") for HLB to acquire interest in shares of more than 5% of the shares in EON Bank Berhad ("EON Bank") and MIMB Investment Bank Berhad ("MIMB");
 - (ii) Approval under Section 49(7) of BAFIA for HLB to enter into an agreement or arrangement with EON Cap which would result in a change in control of EON Bank and MIMB to HLB as provided under Section 49(1)(a) of BAFIA;
 - (iii) Approval under Section 22(2) of the Islamic Banking Act, 1993 ("IBA") for HLB to enter into an agreement or arrangement with EON Cap which would result in a disposal of EONCAP Islamic Bank Berhad ("EONCAP Islamic") shares to HLB as provided under Section 22(1)(a)(i) of IBA;
 - (iv) Approval under Section 49(7) of BAFIA for HLB to enter into an agreement or arrangement with EON Bank which would result in the transfer of the banking operations of EON Bank to HLB as provided under Section 49(1)(b) of BAFIA; and
 - (v) Approval under Section 22(2) of IBA for Hong Leong Islamic Bank Berhad ("HLISB") to enter into an agreement or arrangement with EONCAP Islamic which would result in the transfer of the banking operations of EONCAP Islamic to HLISB as provided under Section 22(1)(a)(i) of IBA.

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

- (d) On 3 August 2010, HLB announced that it had on 3 August 2010 fully redeemed its US\$200,000,000 Subordinated Callable Bonds Due 2015 ("Bonds"). The Bonds has been delisted from the Official Listing of the Singapore Exchange Securities Trading Limited following the redemption.

The redemption of the Bonds was funded via HLB's internally generated funds pending the issuance of its Ringgit Tier 2 Subordinated Debt of RM700 milion.

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

The Sub Debt, rated AA2 by RAM Rating Services Berhad, has a maturity of 10 years. Subject to BNM's approval, HLB has the option to redeem the Sub Debt early at the end of year 5 and on each subsequent coupon payment dates thereafter.

Directors' Report

for the financial year ended 30 June 2010
(continued)

SHARE CAPITAL

During the financial year, there was no issuance of new ordinary shares. As at 30 June 2010, 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 Annual General Meeting held on 27 October 2009, had approved the Bank's plan to purchase its own shares up to 10% of the total issued and paid-up share capital for the time being. 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 (2009: 2,000) ordinary shares of RM1.00 each, as stated in Note 27 (a) to the financial statements at an average price of RM8.52 per share (2009: RM5.45), from the open market. The share buy-back transactions were financed by internally generated funds. As at 30 June 2010, the total number of shares bought was 81,094,700 (2009: 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 81,094,700 treasury shares (2009: 81,092,700 treasury shares)] as at 30 June 2010 was RM1,499,012,334 (2009: RM1,499,014,334) comprising 1,499,012,334 shares (2009: 1,499,014,334).

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	<i>(Chairman, Non-Independent)</i>
Ms Yvonne Chia	<i>(Group Managing Director/Chief Executive, Non-Independent)</i>
Encik Zulkiflee Bin Hashim	<i>(Executive Director, Non-Independent)</i>
Mr Kwek Leng Hai	<i>(Non-Independent Non-Executive Director)</i>
Mr Kwek Leng Seng	<i>(Non-Independent Non-Executive Director)</i>
	<i>(Retired w.e.f 27 October 2009)</i>
YBhg Datuk Dr Hussein Bin Awang	<i>(Independent Non-Executive Director)</i>
	<i>(Resigned w.e.f 27 October 2009)</i>
Mr Tan Keok Yin	<i>(Independent Non-Executive Director)</i>
Mr Chew Peng Cheng	<i>(Independent Non-Executive Director)</i>
	<i>(Resigned w.e.f. 2 July 2010)</i>
YBhg Dato' Mohamed Nazim Bin Abdul Razak	<i>(Independent Non-Executive Director)</i>
Mr Choong Yee How	<i>(Non-Independent Non-Executive Director)</i>
Mr Quek Kon Sean	<i>(Non-Independent Non-Executive Director)</i>
YBhg Datuk Kwek Leng San	<i>(Non-Independent Non-Executive Director)</i>
	<i>(Appointed w.e.f. 12 January 2010)</i>
Ms Lim Lean See	<i>(Independent Non-Executive Director)</i>
	<i>(Appointed w.e.f. 5 May 2010)</i>

In accordance with Article 92 of the Bank's Articles of Association, YBhg Datuk Kwek Leng San and Ms Lim Lean See retire at the forthcoming Annual General Meeting ("AGM") and being eligible, offer themselves for re-election.

In accordance with Article 113 of the Bank's Articles of Association, Mr Kwek Leng Hai, Encik Zulkiflee Bin Hashim and Mr Choong Yee How retire by rotation at the forthcoming AGM and being eligible, offer themselves for re-election.

Directors' Report

for the financial year ended 30 June 2010
(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/preference 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/preference 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 2009	Acquired	Sold	As at 30 June 2010
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	-	600,000	1,056,325
GuocoLand Limited	∞	20,062,965	-	10,062,965	10,000,000
GuocoLand (Malaysia) Berhad	0.50	19,506,780	-	-	19,506,780
GuocoLeisure Limited	USD0.20	735,000	-	-	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	-	1,000,000
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	180,000 [¥]	-	280,000
		6,800,000 [*]	-	720,000 [~]	
				180,000 [¥]	5,900,000 [*]
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 [*]	-	270,000 [~]	1,230,000 [*]
Interest of Mr Choong Yee How in:					
Hong Leong Financial Group Berhad	1.00	8,000,000 [*]	-	1,200,000 [~]	6,800,000 [*]

Directors' Report

for the financial year ended 30 June 2010
(continued)

DIRECTORS' INTERESTS (continued)

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/preference shares/options/convertible bonds in the Bank and/or related corporations during the financial year are as follows: (continued)

Shareholdings in which Directors have direct interests Number of ordinary shares/preference 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 2009	Acquired	Sold	As at 30 June 2010
Interest of Mr Quek Kon Sean in:					
Hong Leong Financial Group Berhad	1.00	2,500,000 *	-	375,000 ~	2,125,000 *
Interests of YBhg Datuk Kwek Leng San in:					
Hong Leong Company (Malaysia) Berhad	1.00	117,500	-	-	117,500
Hong Leong Industries Berhad	0.50	2,520,000	-	-	2,520,000
Malaysian Pacific Industries Berhad	0.50	315,000	-	-	315,000
HLG Capital Berhad	1.00	119,000	-	-	119,000
Hong Leong Bank Berhad	1.00	385,000	-	-	385,000
Hong Leong Financial Group Berhad	1.00	600,000	-	-	600,000
Interest of Mr Chew Peng Cheng in:					
Hong Leong Bank Berhad	1.00	819,873	-	-	819,873
Shareholdings in which Directors have indirect interests Number of ordinary shares/preference 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 2009	Acquired	Sold	As at 30 June 2010
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	13,019,100	-	-	13,019,100
Hong Leong Fund Management Sdn Bhd	1.00	1,400,000	600,000	-	2,000,000 ###
Hong Leong Financial Group Berhad	1.00	824,437,300	-	-	824,437,300
HLG Capital Berhad	1.00	92,590,545	107,072,682	4,400,000	195,263,227
Hong Leong Bank Berhad	1.00	965,745,100	1,994,500	-	967,739,600
Hong Leong Tokio Marine Takaful Berhad	1.00	65,000,000	-	-	65,000,000
Hong Leong Industries Berhad	0.50	195,413,037 @@	2,856,800	-	198,269,837 @@

Directors' Report

for the financial year ended 30 June 2010
(continued)

DIRECTORS' INTERESTS (continued)

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/preference shares/options/convertible bonds in the Bank and/or related corporations during the financial year are as follows: (continued)

Shareholdings in which Directors have indirect interests Number of ordinary shares/preference 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 2009	Acquired	Sold	As at 30 June 2010
Interests of YBhg Tan Sri Quek Leng Chan in: (continued)					
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
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	7,934,247	-	-	7,934,247
Malaysian Pacific Industries Berhad	0.50	127,683,309	5,917,700	-	133,601,009
Carter Realty Sdn Bhd	1.00	7	-	-	7
Carsem (M) Sdn Bhd	1.00	84,000,000	-	-	84,000,000
	100.00	22,400 ##	-	-	22,400 ##
Hume Industries (Malaysia) Berhad	1.00	121,881,628	183,278,071 ~	122,216,828 ◇	182,942,871 ###
Narra Industries Berhad	1.00	38,314,000	-	-	38,314,000
Guoco Group Limited	USD0.50	235,198,529	600,000	-	235,798,529
GuocoLand Limited	∞	579,024,320	55,108,954 @@	20,000,000	614,133,274 @@
		20,973,293 *	817,139 *	13,328,486 *Δ	8,461,946 *
First Garden Development Pte Ltd	∞	63,000,000	-	-	63,000,000
Sanctuary Land Pte Ltd	∞	90,000	-	-	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	2,400,000	-	250,000,000 ###
Nanjing Xinhaoning Property Development Co., Ltd	#	11,800,800	-	-	11,800,800
Nanjing Xinhaoxuan Property Development Co., Ltd	#	11,800,800	-	-	11,800,800
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

Directors' Report

for the financial year ended 30 June 2010
(continued)

DIRECTORS' INTERESTS (continued)

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/preference shares/options/convertible bonds in the Bank and/or related corporations during the financial year are as follows: (continued)

Shareholdings in which Directors have indirect interests Number of ordinary shares/preference 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 2009	Acquired	Sold	As at 30 June 2010
Interests of YBhg Tan Sri Quek Leng Chan in: (continued)					
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	∞	6,570,000	-	-	6,570,000
GuocoLand (Malaysia) Berhad	0.50	466,555,616 @@	-	-	466,555,616 @@
Guoman Hotel & Resort Holdings Sdn Bhd	1.00	277,000,000	-	-	277,000,000
JB Parade Sdn Bhd	1.00	28,000,000	-	-	28,000,000
	0.01	68,594,000 ##	-	-	68,594,000 ##
GuocoLeisure Limited	USD0.20	779,248,202	128,561,223	-	907,809,425
Bondway Properties Limited	GBP1.00	1,134,215 €	-	-	1,134,215 €
(In members' voluntary liquidation)	GBP1.00	10,332 €€	-	-	10,332 €€
Interest of Mr Quek Kon Sean in:					
Hong Leong Industries Berhad	0.50	750,000	-	-	750,000
Interest of Mr Chew Peng Cheng in:					
Hong Leong Bank Berhad	1.00	4,674,666	-	-	4,674,666

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
- ∞ Capital contribution in HKD
- △ Inclusive of redemption and cancellation of convertible bonds
- @@ Inclusive of shares held by children who are not directors of the Company
- ## Redeemable Preference Shares
- ### Became a wholly-owned subsidiary during the financial year.
- € Ordinary-Voting Shares
- €€ Ordinary-Non Voting Shares
- ~ Share options lapsed
- ¥ Exercise of Share Options
- ~ ~ Inclusive of acceptances received for shares in respect of voluntary take-over offer
- ◇ Acceptance of voluntary take-over offer

Directors' Report

for the financial year ended 30 June 2010
(continued)

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 there 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.
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.

Directors' Report

for the financial year ended 30 June 2010
(continued)

EXECUTIVE SHARE OPTION SCHEME ("ESOS" or "Scheme") (continued)

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) 200,000 share options at an exercise price of RM7.49.

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

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 45 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.
- (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 2010 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.

Directors' Report

for the financial year ended 30 June 2010
(continued)

STATUTORY INFORMATION REGARDING THE GROUP AND THE BANK (continued)

(III) As at the date of this report

- (a) In the opinion of the Directors: 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 4 scholars, at all times, appointed by the Board of Directors of Hong Leong Islamic Bank 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 29 July 2010.

YVONNE CHIA

ZULKIFLEE HASHIM

Kuala Lumpur
8 September 2010

Balance Sheets

as at 30 June 2010

		The Group		The Bank	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Assets					
Cash and short-term funds	3	15,682,086	18,343,622	13,928,247	15,820,913
Deposits and placements with banks and other financial institutions	4	7,470,559	5,417,120	7,004,664	5,291,952
Securities held at fair value through profit or loss	5	8,836,753	7,058,396	6,703,224	5,095,423
Available-for-sale securities	6	4,428,770	4,103,431	3,859,367	3,570,387
Held-to-maturity securities	7	6,641,003	6,355,027	7,042,610	6,228,404
Loans, advances and financing	8	37,749,070	34,795,414	33,589,093	30,938,086
Other assets	9	1,718,603	1,125,535	2,014,821	1,140,993
Amount due from subsidiaries	10	-	-	1,009,958	263,760
Statutory deposits with Bank Negara Malaysia	11	394,000	368,564	347,000	322,500
Investment in subsidiary companies	12	-	-	714,092	575,746
Investment in jointly controlled entity	13	76,023	-	76,711	-
Investment in associated company	14	1,172,175	1,045,285	946,505	946,505
Prepaid lease payments	15	14,139	6,185	13,274	5,311
Property and equipment	16	332,845	312,838	311,163	297,012
Intangible assets	17	49,410	29,548	46,935	28,213
Deferred tax assets	18	140,137	153,613	122,544	134,681
General and family takaful funds	19	-	217,337	-	-
Total assets		84,705,573	79,331,915	77,730,208	70,659,886
Liabilities					
Deposits from customers	20	69,712,692	67,583,357	63,239,050	59,719,145
Deposits and placements of banks and other financial institutions	21	3,876,403	2,404,159	3,791,129	2,374,159
Bills and acceptances payable		304,140	251,386	285,366	235,253
Other liabilities	23	3,664,921	2,393,344	3,890,295	2,327,155
Subordinated obligations	24	650,454	729,566	650,454	729,566
General and family takaful funds	19	-	8,278	-	-
General and family takaful participants' funds	19	-	209,059	-	-
Taxation		72,940	48,541	58,851	27,947
Total liabilities		78,281,550	73,627,690	71,915,145	65,413,225
Equity					
Share capital	25	1,580,107	1,580,107	1,580,107	1,580,107
Reserves	26	5,531,824	4,780,182	4,922,864	4,365,606
Less: Treasury shares	27	(687,908)	(699,052)	(687,908)	(699,052)
Minority interest		-	42,988	-	-
Total equity		6,424,023	5,704,225	5,815,063	5,246,661
Total equity and liabilities		84,705,573	79,331,915	77,730,208	70,659,886
Commitments and contingencies	39	99,159,250	78,269,435	100,792,710	77,177,218

Income Statements

for the financial year ended 30 June 2010

	Note	The Group		The Bank	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Interest income	28	2,552,857	2,930,792	2,592,586	2,937,002
Interest expense	29	(1,170,208)	(1,577,672)	(1,209,792)	(1,579,883)
Net interest income		1,382,649	1,353,120	1,382,794	1,357,119
Income from Islamic Banking business	30	184,837	176,341	-	-
		1,567,486	1,529,461	1,382,794	1,357,119
Non-interest income	31	489,443	569,511	506,979	511,537
		2,056,929	2,098,972	1,889,773	1,868,656
Overhead expenses	32	(916,467)	(876,555)	(831,139)	(806,030)
Operating profit before allowances		1,140,462	1,222,417	1,058,634	1,062,626
Allowances for losses on loans, advances and financing	33	(105,030)	(156,714)	(104,568)	(143,297)
Write back of/(allowance for) impairment losses		6,939	(32,934)	6,939	(32,934)
		1,042,371	1,032,769	961,005	886,395
Share of results of associated company	14	143,575	99,462	-	-
Share of results of jointly controlled entity	13	(688)	-	-	-
Profit before taxation and zakat		1,185,258	1,132,231	961,005	886,395
Taxation and zakat	36	(197,283)	(227,606)	(193,188)	(226,717)
Net profit for the financial year		987,975	904,625	767,817	659,678
Attributable to:					
Equity holders of the Bank		988,020	905,335	767,817	659,678
Minority interest		(45)	(710)	-	-
		987,975	904,625	767,817	659,678
Earnings per share for profit attributable to ordinary equity holders of the Bank (sen):					
- basic/fully diluted	37	68.2	62.5	53.0	45.5
Dividend per share (net)*:					
- interim dividend of 9.0 sen (2009: 9.0 sen) less tax at 25% (2009: 25%)		6.8	6.8	6.8	6.8
- final dividend of 15.0 sen (2009: 15.0 sen) less tax at 25% (2008: 25%)		11.3	11.3	11.3	11.3
		18.1	18.1	18.1	18.1

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

Statements of Changes in Equity

for the financial year ended 30 June 2010

Attributable to equity holders of the Bank												
The Group	Note	Share capital RM'000	Share premium RM'000	Treasury shares* RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Share options reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
Balance as at 1 July 2009												
- As previously reported		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
- Prior year adjustments	53	-	-	-	-	-	-	-	(72,627)	(72,627)	-	(72,627)
As restated		1,580,107	539,664	(699,052)	1,860,821	(26,701)	13,022	37,050	2,356,326	5,661,237	42,988	5,704,225
Currency translation differences		-	-	-	-	-	-	(24,737)	-	(24,737)	-	(24,737)
Net fair value changes in available-for-sale securities, net of tax		-	-	-	-	43,761	-	-	-	43,761	-	43,761
Income and expense recognised directly in equity		-	-	-	-	43,761	-	(24,737)	-	19,024	-	19,024
Net profit for the financial year		-	-	-	-	-	-	-	988,020	988,020	(45)	987,975
Total recognised income and expense for the financial year		-	-	-	-	43,761	-	(24,737)	988,020	1,007,044	(45)	1,006,999
Transfer to statutory reserve		-	-	-	42,094	-	-	-	(42,094)	-	-	-
Purchase of treasury shares	27	-	-	(17)	-	-	-	-	-	(17)	-	(17)
Dividends paid:												
- final dividend for the financial year ended 30 June 2009	38	-	-	-	-	-	-	-	(163,060)	(163,060)	-	(163,060)
- interim dividend for the financial year ended 30 June 2010	38	-	-	-	-	-	-	-	(97,864)	(97,864)	-	(97,864)
Disposal of subsidiary		-	-	-	-	-	-	-	-	-	(42,943)	(42,943)
ESOS exercised		-	-	11,161	-	-	(1,642)	-	2,715	12,234	-	12,234
Option charge arising from ESOS granted		-	-	-	-	-	4,449	-	-	4,449	-	4,449
Balance as at 30 June 2010		1,580,107	539,664	(687,908)	1,902,915	17,060	15,829	12,313	3,044,043	6,424,023	-	6,424,023

* Treasury shares consist of two categories which are detailed in Note 27

Statements of Changes in Equity

for the financial year ended 30 June 2010
(continued)

Attributable to equity holders of the Bank												
The Group	Note	Share capital RM'000	Share premium RM'000	Treasury shares* RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Share options reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
Balance as at 1 July 2008												
- As previously reported		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
- Prior year adjustments	53	-	-	-	-	-	-	-	(72,627)	(72,627)	-	(72,627)
As restated		1,580,107	539,664	(699,041)	1,823,644	(14,701)	2,720	35,529	1,748,991	5,016,913	43,698	5,060,611
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	27	-	-	(11)	-	-	-	-	-	(11)	-	(11)
Dividends paid:												
- final dividend for the financial year ended 30 June 2008	38	-	-	-	-	-	-	-	(163,014)	(163,014)	-	(163,014)
- interim dividend for the financial year ended 30 June 2009	38	-	-	-	-	-	-	-	(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	2,356,326	5,661,237	42,988	5,704,225

* Treasury shares consist of two categories which are detailed in Note 27

Statements of Changes in Equity

for the financial year ended 30 June 2010
(continued)

Non-distributable								Distributable		
The Bank	Note	Share capital RM'000	Share premium RM'000	Treasury shares* RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Share options reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 July 2009										
- As previously reported		1,580,107	539,664	(699,052)	1,741,612	(27,654)	13,022	35,529	2,136,060	5,319,288
- Prior year adjustments	53	-	-	-	-	-	-	-	(72,627)	(72,627)
As restated		1,580,107	539,664	(699,052)	1,741,612	(27,654)	13,022	35,529	2,063,433	5,246,661
Net fair value changes in available-for-sale securities, net of tax		-	-	-	-	44,843	-	-	-	44,843
Income and expense recognised directly in equity		-	-	-	-	44,843	-	-	-	44,843
Net profit for the financial year		-	-	-	-	-	-	-	767,817	767,817
Total recognised income and expense for the financial year		-	-	-	-	44,843	-	-	767,817	812,660
Purchase of treasury shares	27	-	-	(17)	-	-	-	-	-	(17)
Dividends paid:										
- final dividend for the financial year ended 30 June 2008	38	-	-	-	-	-	-	-	(163,060)	(163,060)
- interim dividend for the financial year ended 30 June 2009	38	-	-	-	-	-	-	-	(97,864)	(97,864)
ESOS exercised		-	-	11,161	-	-	(1,642)	-	2,715	12,234
Option charge arising from ESOS granted		-	-	-	-	-	4,449	-	-	4,449
Balance as at 30 June 2010		1,580,107	539,664	(687,908)	1,741,612	17,189	15,829	35,529	2,573,041	5,815,063

* Treasury shares consist of two categories which are detailed in Note 27

Non-distributable								Distributable		
The Bank	Note	Share capital RM'000	Share premium RM'000	Treasury shares* RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Share options reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 July 2008										
- As previously reported		1,580,107	539,664	(699,041)	1,741,612	(14,663)	2,720	35,529	1,737,205	4,923,133
- Prior year adjustments	53	-	-	-	-	-	-	-	(72,627)	(72,627)
As restated		1,580,107	539,664	(699,041)	1,741,612	(14,663)	2,720	35,529	1,664,578	4,850,506
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	27	-	-	(11)	-	-	-	-	-	(11)
Dividends paid:										
- final dividend for the financial year ended 30 June 2008	38	-	-	-	-	-	-	-	(163,014)	(163,014)
- interim dividend for the financial year ended 30 June 2009	38	-	-	-	-	-	-	-	(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	2,063,433	5,246,661

* Treasury shares consist of two categories which are detailed in Note 27

Cash Flow Statements

for the financial year ended 30 June 2010

	The Group		The Bank	
Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash flows from operating activities				
Profit before taxation and zakat	1,185,258	1,132,231	961,005	886,395
Adjustment for:				
Depreciation of property and equipment	48,715	45,795	46,447	44,765
Amortisation of prepaid lease payments	560	84	551	75
Amortisation of intangible assets	14,068	13,302	13,733	12,824
Net gain on disposal of property and equipment	(307)	(1,029)	(307)	(1,029)
Shares of associate's results	(143,575)	(99,462)	-	-
Shares of jointly controlled entity's results	688	-	-	-
Property and equipment written off	15	8	15	8
Intangible assets written off	97	-	97	-
Loss/(gain) from disposal of subsidiaries	-	-	2,239	(4,241)
Gain from redemption of held-to-maturity securities	(1,318)	(316)	(1,318)	(316)
Gain from disposal of available-for-sale securities	(10,070)	(29,897)	(10,070)	(29,897)
Gain from disposal of securities held at fair value through profit or loss and derivatives	(29,243)	(18,052)	(24,986)	(7,472)
Allowances for losses on loans, advances and financing	203,272	269,551	198,509	251,061
Net unrealised (gain)/loss on revaluation of securities held at fair value through profit or loss and derivatives	9,037	(10,250)	6,726	40,329
Net realised loss/(gain) on fair value changes arising from fair value hedges	(513)	14,851	(4,770)	4,273
(Writeback of)/allowance for impairment losses	(6,939)	32,934	(6,939)	32,934
Accretion of discount less amortisation of premium	(153,473)	(203,169)	(159,037)	(203,169)
Interest expense on subordinated obligations	35,089	36,631	35,089	36,631
Interest income from available-for-sale securities	(129,359)	(91,119)	(129,092)	(90,176)
Interest income from held-to-maturity securities	(223,653)	(145,010)	(223,637)	(145,010)
Dividend income from available-for-sale and held-to-maturity securities	(21,107)	(5,027)	(21,107)	(5,027)
Dividend income from associated company	-	-	(16,682)	-
Net unrealised gain on fair value changes arising from fair value hedges	(3,472)	(15,858)	(1,486)	(11,450)
Share option expenses	4,449	10,302	4,449	10,302
Operating profit before working capital changes	778,219	936,500	669,429	821,810
(Increase)/decrease in operating assets				
Deposits and placements with banks and other financial institutions	(2,053,439)	(3,279,480)	(1,712,712)	(3,154,312)
Securities purchased under resale agreements	-	972,742	-	972,742
Securities held at fair value through profit or loss	(1,640,987)	(2,004,496)	(1,422,222)	(932,718)
Loans, advances and financing	(3,167,937)	(417,183)	(2,860,200)	(824,171)
Other assets	(587,215)	573,328	(907,998)	738,623
Amount due from subsidiaries	-	-	(746,198)	(261,177)
Statutory deposits with Bank Negara Malaysia	(25,436)	946,900	(24,500)	848,000
General and family takaful funds	217,337	(53,468)	-	-

Cash Flow Statements

for the financial year ended 30 June 2010
(continued)

	The Group		The Bank	
Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Increase/(decrease) in operating liabilities				
Deposits from customers	2,129,335	5,035,410	3,519,905	3,252,485
Deposits and placements of banks and other financial institutions	1,472,244	(3,968,417)	1,416,970	(3,219,417)
Bills and acceptances payable	52,754	(159,797)	50,113	(65,450)
Other liabilities	1,307,590	261,050	1,595,896	316,634
General and family takaful funds	(8,278)	5,046	-	-
General and family takaful participants' funds	(209,059)	48,422	-	-
Cash used in operations	(1,734,872)	(1,103,443)	(421,517)	(1,506,951)
Income taxes and zakat paid	(206,914)	(224,802)	(197,850)	(199,384)
Net cash flow used in operating activities	(1,941,786)	(1,328,245)	(619,367)	(1,706,335)
Cash flows from investing activities				
Net proceeds/(purchases) of available-for-sale securities	(169,224)	1,824,144	(76,702)	1,529,725
Net purchases of held-to-maturity securities	(51,220)	(3,193,281)	(579,466)	(3,193,615)
Net proceeds from sale of subsidiary companies	13,699	-	52,761	43,447
Acquisition of subsidiary companies	-	-	(193,346)	(20,705)
Proceeds from sale of prepaid lease payments	1,280	-	1,280	-
Purchase of property and equipment	(81,571)	(70,179)	(72,520)	(69,177)
Proceeds from sale of property and equipment	2,201	2,935	2,201	2,709
Purchase of intangible assets	(35,288)	(9,588)	(32,552)	(9,528)
Dividend received on available-for-sale and held-to-maturity securities	21,107	5,027	21,107	5,027
Dividend from associated company	16,682	-	16,682	-
Investment in jointly controlled company	(76,711)	-	(76,711)	-
Investment in associated company	-	(904,821)	-	(904,821)
Net cash flows used in investing activities	(359,045)	(2,345,763)	(937,266)	(2,616,938)
Cash flows from financing activities				
Dividend paid	(260,924)	(260,823)	(260,924)	(260,823)
Purchase of treasury shares	(17)	(11)	(17)	(11)
Cash received from ESOS exercised	12,234	-	12,234	-
Interest paid on subordinated obligations	(36,304)	(35,546)	(36,304)	(35,546)
Net cash flows used in financing activities	(285,011)	(296,380)	(285,011)	(296,380)
Net decrease in cash and cash equivalents	(2,585,842)	(3,970,388)	(1,841,644)	(4,619,653)
Effects of exchange rate changes	(75,694)	49,336	(51,022)	47,713
Cash and cash equivalents at the beginning of financial year	18,343,622	22,264,674	15,820,913	20,392,853
Cash and cash equivalents at the end of financial year	15,682,086	18,343,622	13,928,247	15,820,913

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. During the financial year, the Bank has disposed of its interest in HLTMT representing 55% of the issued and paid-up share capital of HLTMT, to HLA Holdings Berhad for cash.

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 51.

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

The 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 2010, are as follows:

- (i) FRS 8 "Operating Segments" (effective from 1 July 2009) replaces FRS 114²⁰⁰⁴ Segment Reporting. The new standard requires a 'management approach', under which segment information is reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The improvement to FRS 8 (effective from 1 January 2010) clarifies that entities that do not provide information about segment assets to the chief operating decision-maker will no longer need to report this information. Prior year comparatives must be restated. The adoption of the new accounting standard does not have any significant financial impact on the results of the Group and the Bank.

(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 and revised standards, amendments to published 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:

- The revised FRS 3 "Business combinations" (effective prospectively from 1 July 2010). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The application of this standard is not expected to have a material impact on the financial statements of the Group and the Bank.

Notes to the Financial Statements

for the financial year ended 30 June 2010

(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)

- The revised FRS 101 "Presentation of financial statements" (effective from 1 January 2010) prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. 'Non-owner changes in equity' are to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The application of this standard is not expected to have a material impact on the financial statements of the Group and the Bank.

- The revised FRS 127 "Consolidated and separate financial statements" (effective prospectively from 1 July 2010) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The application of this standard is not expected to have a material impact on the financial statements of the Group and the Bank.
- FRS 139 "Financial Instruments: Recognition and Measurement" (effective from 1 January 2010) establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted under strict circumstances. The amendments to FRS 139 provide further guidance on eligible hedged items. The amendment provides guidance for two situations. On the designation of a one-sided risk in a hedged item, the amendment concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. The improvement to FRS 139 clarifies that the scope exemption in FRS 139 only applies to forward contracts but not options for business combinations that are firmly committed to being completed within a reasonable timeframe.
- IC Interpretation 9 "Reassessment of Embedded Derivatives" (effective from 1 January 2010) 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 prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The improvement to IC Interpretation 9 (effective from 1 July 2010) clarifies that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture.
- FRS 7 "Financial instruments: Disclosures" (effective from 1 January 2010) provides information to users of financial statements about an entity's exposure to risks and how the entity manages those risks. The improvement FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the income statement.

The Group and the Bank have applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the following standards and interpretations on the financial statements of the Group and the Bank:

- FRS 139, Amendments to FRS 139 on eligible hedged items, Improvement to FRS 139 and IC Interpretation 9
- FRS 7 and Improvement to FRS 7

BNM has also prescribed the use of an alternative basis for collective assessment of impairment for a transitional period for purpose of complying with the collective assessment of impairment requirement in FRS 139.

Notes to the Financial Statements

for the financial year ended 30 June 2010

(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)

- The amendment to FRS 2 "Share-based payment: Vesting conditions and cancellations" (effective from 1 January 2010) deals with vesting conditions and cancellations. It clarifies 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. The improvement to FRS 2 (effective from 1 July 2010) clarifies that contributions of a business on formation of a joint venture and common control transactions are outside the scope of FRS 2. The application of this amendment is not expected to have a material impact on the financial statements of the Group and the Bank.
- IC Interpretation 10 "Interim Financial Reporting and Impairment" (effective from 1 January 2010) 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. The application of this amendment is not expected to have a material impact on the financial statements of the Group and the Bank.
- IC Interpretation 11 "FRS 2 Group and Treasury Share Transactions" (effective from 1 January 2010) provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. The application of this amendment is not expected to have a material impact on the financial statements of the Group and the Bank.
- IC Interpretation 13 "Customer Loyalty Programmes" (effective from 1 January 2010) clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The application of this amendment is not expected to have a material impact on the financial statements of the Group and the Bank.
- IC Interpretation 14 "FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective from 1 January 2010) provides guidance on assessing the limit in FRS 119 on the amount of the surplus that can be recognised as an asset. The application of this amendment is not expected to have a material impact on the financial statements of the Group and the Bank.

Improvements to existing MASB standards (effective for accounting periods beginning on or after 1 January 2010) are as follows:

- FRS 5 Non-current Assets Held for Sale and Discontinued Operations. Improvement effective from 1 January 2010 clarifies that FRS 5 disclosures apply to non-current assets or and discontinued operations. Improvement effective from 1 July 2010 clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met.
- FRS 107 Statement of Cash Flows (effective from 1 January 2010) clarifies that only expenditure resulting in a recognised asset can be categorised as a cash flow from investing activities.
- FRS 110 Events after the Balance Sheet Date (effective from 1 January 2010) reinforces existing guidance that a dividend declared after the reporting date is not a liability of an entity at that date given that there is no obligation at that time.
- FRS 116 Property, Plant and Equipment (effective from 1 January 2010) requires entities whose ordinary activities comprise of renting and subsequently selling assets to present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to FRS 107 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities.
- FRS 117 Leases (effective from 1 January 2010) clarifies that the default classification of the land element in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as either finance or operating, using the general principles of FRS 117.

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

(b) Improvements to existing MASB standards (effective for accounting periods beginning on or after 1 January 2010) are as follows: (continued)

- FRS 118 Revenue (effective from 1 January 2010) provides more guidance when determining whether an entity is acting as a 'principal' or as an 'agent'.
- FRS 127 Consolidated and Separate Financial Statements (effective from 1 January 2010) clarifies that where an investment in a subsidiary that is accounted for under FRS 139 is classified as held for sale under FRS 5, FRS 139 would continue to be applied.
- FRS 128 Investments in associates and FRS 131 Interests in joint ventures (consequential amendments to FRS 132 Financial instruments: Presentation and FRS 7 Financial instruments: Disclosure) (effective from 1 January 2010) clarify that where an investment in associate or joint venture is accounted for in accordance with FRS 139, only certain, rather than all disclosure requirements in FRS 128 or FRS 131 need to be made in addition to disclosures required by FRS 132 and FRS 7.
- FRS 134 Interim Financial Reporting (effective from 1 January 2010) clarifies that basic and diluted earnings per share ('EPS') must be presented in an interim report only in the case when the entity is required to disclose EPS in its annual report.
- FRS 138 Intangible Assets (effective from 1 January 2010) clarifies that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This means that an expense will be recognised for mail order catalogues when the entity has access to the catalogues and not when the catalogues are distributed to customers. It confirms that the unit of production method of amortisation is allowed.

The application of the above improvements to existing MASB standards are not expected to have a material impact to the Group and the Bank.

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.

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";

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A Economic entities in the Group (continued)

(i) *Subsidiaries* (continued)

- 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;
 - the minorities' share of net assets of the Group is not altered by the transfer; and
- 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) *Investment in jointly controlled entity*

The Group treats as a jointly controlled entity, corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control.

Investment in a jointly controlled entity 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 Group recognises interests in jointly controlled entities using the equity method.

The Group's share of the post acquisition results of the jointly controlled entity is recognised in the income statement and its share of post acquisition movements is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

(iii) *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 2010

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A Economic entities in the Group (continued)

(iii) *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.

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.

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C Recognition of fees and other income (continued)

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.

As allowed under Bank Negara Malaysia's Circular on "Accounting Treatment of Handling Fees for Hire Purchase Loans" dated 16 October 2006, the Bank and the Group have capitalized upfront handling fee paid to hire purchase dealers for hire purchase loans and hire purchase financing to profit or loss. Subsequently, the capitalized fees will be amortized to the income statement.

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. In 2008, 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 2010

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E 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 was 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.

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.

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E Securities portfolio (continued)

(iii) Held-to-maturity securities (continued)

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.

F 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.

G 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.

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G Intangible assets (continued)

(iii) *Goodwill* (continued)

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.

H 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.

I Impairment of non-financial 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.

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J 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.

K Derivative financial instruments and hedge accounting

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.

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.

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K Derivative financial instruments and hedge accounting (continued)

(i) Fair value hedge (continued)

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.

L 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.

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L Currency translations (continued)

(ii) Foreign currency transactions and balances (continued)

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.

M 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.

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.

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M Employee benefits (continued)

Share-based compensation (continued)

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.

N 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.

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; and
- (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.

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N Family takaful fund (continued)

Provision for outstanding claims (continued)

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

O 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.

P 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.

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P Impairment of securities portfolio (continued)

(i) *Securities carried at amortised cost* (continued)

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.

Q Foreclosed properties

Foreclosed properties are stated at the lower of carrying amount and fair value less costs to sell.

R 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.

S 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.

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.

T Cash and cash equivalents

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

U Zakat

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

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

V 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 27 of the financial statements.

W 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.

X Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity.

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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash and balances with banks and other financial institutions	735,898	731,278	506,839	434,004
Money at call and deposit placements maturing within one month	14,946,188	17,612,344	13,421,408	15,386,909
	15,682,086	18,343,622	13,928,247	15,820,913

4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Bank Negara Malaysia ("BNM")	1,800,000	3,170,600	1,800,000	3,170,600
Licensed banks	4,474,870	2,246,520	4,008,975	2,121,352
Licensed investment banks	370,000	-	370,000	-
Other financial institutions	825,689	-	825,689	-
	7,470,559	5,417,120	7,004,664	5,291,952

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

5 SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Held-for-trading				
Money market instruments				
Bank Negara Malaysia bills	2,417,684	1,738,604	1,962,500	895,517
Malaysian Government treasury bills	251,599	458,307	-	310,130
Malaysian Government securities	1,107,934	838,842	1,107,934	838,842
Malaysian Government investment certificates	1,116,703	136,143	803,122	-
Bankers' acceptances and Islamic accepted bills	2,771,744	2,983,607	2,161,167	2,607,562
Negotiable instruments of deposit	739,705	887,971	287,117	443,372
Cagamas bonds	254,998	-	204,998	-
Khazanah bonds	-	14,922	-	-
Quoted securities				
Foreign currency bonds	115,516	-	115,516	-
	8,775,883	7,058,396	6,642,354	5,095,423
Unquoted securities				
Private debt securities	60,870	-	60,870	-
	8,836,753	7,058,396	6,703,224	5,095,423

In the last 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.

Included in the non-interest income (Note 31) 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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Net fair value loss	(17,173)	(18,531)	(17,173)	(17,626)

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

6 AVAILABLE-FOR-SALE SECURITIES

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Money market instruments				
Government treasury bills	533,551	379,600	533,551	379,600
Malaysian Government securities	1,076,631	1,698,183	1,076,631	1,698,182
Malaysian Government investment certificates	2,123,648	728,237	1,584,588	306,236
Singapore Government securities	-	24,601	-	24,601
Other Government securities	8,312	9,081	8,312	9,081
Khazanah bonds	-	9,948	-	-
Cagamas bonds	125,715	162,084	100,377	126,656
	3,867,857	3,011,734	3,303,459	2,544,356
Quoted securities				
Shares quoted in Malaysia	89,853	68,339	89,853	67,078
Loan stocks quoted in Malaysia	1,797	1,540	1,797	1,540
Foreign currency bonds	335,881	801,013	335,881	791,278
	4,295,388	3,882,626	3,730,990	3,404,252
Unquoted securities				
Private and Islamic debt securities	133,382	220,805	128,377	166,135
	4,428,770	4,103,431	3,859,367	3,570,387

Included in the available-for-sale securities are securities transferred from the held-for-trading category in the previous financial year, with the following fair value:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fair value	75,454	60,750	75,454	59,548

During the financial year, the Bank has designated fair value hedges on its Malaysian Government securities and Malaysian Government investment certificates portfolio using interest rate swaps. The total fair value loss of the said interest rate swaps relating to the hedges as at 30 June 2010 amounted to RM14,674,195 (2009: RM Nil).

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

7 HELD-TO-MATURITY SECURITIES

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Money market instruments				
Malaysian Government securities	4,144,712	1,670,241	4,144,712	1,670,241
Malaysian Government investment certificates	1,312,548	105,514	916,983	45,306
Cagamas bonds	279,872	279,873	279,872	279,873
Negotiable instruments of deposit	680,588	4,073,323	1,547,309	4,073,323
Other government securities	3,374	-	-	-
	6,421,094	6,128,951	6,888,876	6,068,743
Unquoted securities				
Shares*	37,791	38,133	37,216	37,558
Loan stocks	5,442	8,122	5,442	8,122
Private and Islamic debt securities	191,562	196,398	125,962	130,558
	6,655,889	6,371,604	7,057,496	6,244,981
Accumulated impairment losses	(14,886)	(16,577)	(14,886)	(16,577)
	6,641,003	6,355,027	7,042,610	6,228,404

* As allowed under revised BNM/GP8

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

8 LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Overdrafts	2,036,810	2,091,226	2,033,395	2,086,550
Term loans/financing:				
- Housing and shop loans/financing	22,534,948	20,496,440	18,200,159	16,933,816
- Syndicated term loans/financing	2,242,775	1,685,228	1,828,346	1,458,633
- Hire purchase receivables	5,650,823	5,829,968	3,183,902	3,284,687
- Lease receivables	11,866	16,418	-	-
- Other term loans/financing	2,244,026	1,775,639	2,098,015	1,653,690
Credit/charge card receivables	2,210,438	2,017,519	2,210,438	2,017,519
Bills receivable	268,725	211,019	268,725	211,019
Trust receipts	98,419	92,982	98,419	92,982
Claims on customers under acceptance credits	3,619,054	3,230,902	3,515,919	3,184,696
Block discounting	8,244	8,218	8,244	8,218
Revolving credit	1,365,401	1,219,780	1,365,401	1,219,780
Staff loans/financing	99,531	96,686	99,528	96,668
Other loans/financing	40,769	45,013	40,302	44,390
	42,431,829	38,817,038	34,950,793	32,292,648
Unearned interest and income	(3,876,159)	(3,219,240)	(622,724)	(613,549)
Gross loans, advances and financing	38,555,670	35,597,798	34,328,069	31,679,099
Fair value changes arising from fair value hedges	-	56,892	-	28,385
Unamortised fair value changes arising from terminated fair value hedges	46,725	13,381	25,435	8,714
Allowance for bad and doubtful debts and financing:				
- specific	(275,503)	(327,834)	(252,796)	(306,807)
- general	(577,822)	(544,823)	(511,615)	(471,305)
	(853,325)	(872,657)	(764,411)	(778,112)
Total net loans, advances and financing	37,749,070	34,795,414	33,589,093	30,938,086

The Group and the Bank have previously designated fair value hedges on certain receivables using interest rate futures and interest rate swaps. The fair value hedges were discontinued during the financial year. The total fair value gain of the said interest rate futures and interest rate swaps relating to these hedges at 30 June 2009 amounted to RM38,321,972 and RM17,145,969 at Group and Bank respectively.

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

8 LOANS, ADVANCES AND FINANCING (continued)

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

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Maturing within:				
- one year	11,078,560	9,960,873	9,057,329	9,640,868
- one year to three years	2,737,654	2,771,427	2,041,299	1,883,361
- three years to five years	3,050,511	2,926,024	2,280,991	2,174,430
- over five years	21,688,945	19,939,474	20,948,450	17,980,440
	38,555,670	35,597,798	34,328,069	31,679,099

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

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Domestic non-bank financial institutions other than stockbroking companies	178,501	86,327	174,251	66,046
Domestic business enterprises:				
- small medium enterprises	3,349,519	3,250,429	3,074,735	3,019,992
- others	8,271,816	7,101,523	7,683,774	6,601,848
Government and statutory bodies	278	369	278	322
Individuals	25,519,745	24,048,226	22,216,564	20,935,613
Other domestic entities	14,395	16,185	13,247	14,941
Foreign entities	1,221,416	1,094,739	1,165,220	1,040,337
Gross loans, advances and financing	38,555,670	35,597,798	34,328,069	31,679,099

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

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fixed rate:				
- Housing and shop loans/financing	530,012	673,204	238,678	266,342
- Hire purchase receivables/financing	4,924,898	5,087,484	2,757,962	2,837,970
- Credit card	2,210,438	2,017,519	2,210,438	2,017,519
- Other fixed rate loan/financing	1,069,515	1,027,926	998,712	899,715
Variable rate:				
- Base lending rate plus	25,141,613	23,240,974	23,546,220	22,153,067
- Cost plus	4,606,547	3,500,595	4,503,412	3,454,390
- Other variable rates	72,647	50,096	72,647	50,096
Gross loans, advances and financing	38,555,670	35,597,798	34,328,069	31,679,099

Notes to the Financial Statements

for the financial year ended 30 June 2010
(continued)

8 LOANS, ADVANCES AND FINANCING (continued)

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

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Purchase of securities	414,513	416,439	414,420	416,094
Purchase of transport vehicles	4,834,160	4,848,428	2,753,057	2,723,027
Residential property (Housing)	14,930,332	13,922,382	13,582,028	12,800,377
Non-residential property	4,436,355	4,257,268	4,239,732	4,065,035
Personal use	2,994,401	2,710,071	2,929,720	2,651,529
Credit card	2,210,438	2,017,519	2,210,438	2,017,519
Purchase of consumer durables	62	54	62	54
Construction	298,512	448,043	273,602	417,826
Working capital	8,388,912	6,973,922	7,885,786	6,583,980
Other purpose	47,985	3,672	39,224	3,658
	38,555,670	35,597,798	34,328,069	31,679,099

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

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Purchase of securities	10,264	11,000	10,264	10,780
Purchase of transport vehicles	40,252	48,996	23,512	27,617
Residential property (Housing)	201,359	235,867	185,699	216,978
Non-residential property	55,633	62,761	55,028	62,149
Personal use	53,792	56,872	53,407	56,432
Credit card	27,859	36,446	27,859	36,446
Construction	15,907	32,662	15,772	32,240
Working capital	321,669	315,555	318,870	311,257
	726,735	800,159	690,411	753,899

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

8 LOANS, ADVANCES AND FINANCING (continued)

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

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
As at beginning of the financial year	800,159	840,402	753,899	794,555
Non-performing during the financial year	2,910,070	2,793,625	2,674,909	2,588,994
Performing during the financial year	(2,482,001)	(2,314,165)	(2,270,796)	(2,147,426)
Amount written back in respect of recoveries	(287,538)	(258,963)	(263,371)	(234,726)
Amount written off	(211,944)	(260,982)	(202,219)	(247,740)
Exchange difference	(2,011)	242	(2,011)	242
As at end of the financial year	726,735	800,159	690,411	753,899
Specific allowance	(275,503)	(327,834)	(252,796)	(306,807)
Net non-performing loans, advances and financing	451,232	472,325	437,615	447,092
Ratio of non-performing loans to total loans, advances and financing net of specific allowance	1.2%	1.3%	1.3%	1.4%

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

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Specific allowance				
As at beginning of the financial year	327,834	345,781	306,807	320,954
Allowances made during the financial year	289,332	316,410	269,501	300,461
Amount written back in respect of recoveries	(128,452)	(73,602)	(120,026)	(67,095)
Amount written off	(211,944)	(260,982)	(202,219)	(247,740)
Exchange difference	(1,267)	227	(1,267)	227
As at end of the financial year	275,503	327,834	252,796	306,807
General allowance				
As at beginning of the financial year	544,823	526,957	471,305	461,900
Net allowance made during the financial year	33,593	17,728	40,905	9,267
Exchange difference	(594)	138	(595)	138
As at end of the financial year	577,822	544,823	511,615	471,305
(as % of total loans, advances and financing less specific allowance)	1.5%	1.5%	1.5%	1.5%

Notes to the Financial Statements

for the financial year ended 30 June 2010
(continued)

9 OTHER ASSETS

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Foreclosed properties	1,277	1,875	1,277	1,875
Other debtors, deposits and prepayments	507,281	249,577	501,658	273,166
Interest receivable	173,155	97,739	154,430	89,608
Derivative financial instruments (Note 22)	1,036,890	776,344	1,357,456	776,344
	1,718,603	1,125,535	2,014,821	1,140,993

10 AMOUNT DUE FROM SUBSIDIARIES

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Amount due from				
Famehub Capital Sdn Bhd	-	-	613,800	-
Intercompany settlement	-	-	383,288	263,679
Others	-	-	12,870	81
	-	-	1,009,958	263,760

The amount due from Famehub Capital Sdn Bhd, a special purpose vehicle incorporated in Malaysia, bears an interest rate of 7.5% per annum, payable semi-annually and will be fully repaid by 9 October 2013.

Inter company settlement and others are unsecured, interest-free and generally short term in nature

11 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.

12 INVESTMENT IN SUBSIDIARY COMPANIES

	The Bank	
	2010 RM'000	2009 RM'000
Unquoted shares, at cost:		
- in Malaysia	714,068	575,722
- outside Malaysia	11	11
Arising from translation of a foreign subsidiary company	13	13
	714,092	575,746
As at beginning of the financial year	575,746	592,041
Add: Subscription for new shares in subsidiary companies (i)	193,346	20,705
Less: Disposal of subsidiary companies	(55,000)	(37,000)
As at end of the financial year	714,092	575,746

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

12 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

- (i) The subscription of new shares in subsidiary company is in relation to subscription of shares in Hong Leong Bank Vietnam Limited ("HLBVN"). HLBVN was incorporated on 9 July 2009 and has commenced operations on 8 October 2009.

The subsidiary companies of the Bank are as follows:

Name	Percentage (%) of equity held		Principal activities
	2010	2009	
(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 and its subsidiary company:	100	100	Investment holding
- Pelita Terang Sdn Bhd	100	100	Dormant
(ii) WTB Corporation Sdn Bhd ("WTB") and its subsidiary companies:	100	100	Investment holding
- 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
(iii) Chew Geok Lin Finance Sdn Bhd	100	100	Investment holding
(iv) Hong Leong Leasing Sdn Bhd [*]	100	100	Investment holding
(v) HL Leasing Sdn Bhd	100	100	Investment holding
(vi) HLB Realty Sdn Bhd	100	100	Real property investment and investment holding
(e) HLB Trade Services (Hong Kong) Limited ⁺	100	100	Ceased operations
(f) Hong Leong Islamic Bank Berhad	100	100	Islamic Banking business
(h) HLB Principal Investments (L) Limited	100	100	Holding of or dealing in offshore securities
(i) Hong Leong Bank Vietnam Limited ⁺	100	-	Commercial banking business
(j) Unincorporated trust for ESOS ^{Ω*}	-	-	Special purpose vehicle for ESOS
(k) Famehub Quest Sdn Bhd ^{Ω*}	-	-	Special purpose vehicle
(l) Famehub Capital Sdn Bhd ^{Ω*}	-	-	Special purpose vehicle
(m) Allegra Capital Investments Ltd ^{Ω@*}	-	-	Special purpose vehicle
(n) GoldPearl International Ltd ^{Ω@*}	-	-	Special purpose vehicle

* Not audited by PricewaterhouseCoopers

⁺ Audited by member firms of PricewaterhouseCoopers International Limited

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

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

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, Allegra Capital Investments Ltd and GoldPearl International Ltd which are incorporated in the British Virgin Islands and Hong Leong Bank Vietnam Limited, which is incorporated in Vietnam.

Notes to the Financial Statements

for the financial year ended 30 June 2010

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13 INVESTMENT IN JOINTLY CONTROLLED ENTITY

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Unquoted shares outside Malaysia, at cost	76,711	-	76,711	-
Share of results	(688)	-	-	-
	76,023	-	76,711	-

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

	The Group	
	2010 RM'000	2009 RM'000
Revenue	90	-
Loss after taxation	(688)	-

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

	The Group	
	2010 RM'000	2009 RM'000
Total assets	74,206	-
Total liabilities	40	-

Details of the jointly controlled entity held by the Bank are as follows:

Name	Percentage (%) of equity held		Principal activities
	2010	2009	
Sichuan Jincheng Consumer Finance Limited Company	49%	-	Consumer finance

14 INVESTMENT IN ASSOCIATED COMPANY

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Unquoted shares outside Malaysia, at cost	946,505	946,505	946,505	946,505
Cumulative share of results, net of dividends received	226,355	99,462	-	-
Revaluation reserves - available-for-sale securities	(685)	(682)	-	-
	1,172,175	1,045,285	946,505	946,505

Notes to the Financial Statements

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(continued)

14 INVESTMENT IN ASSOCIATED COMPANY (continued)

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

	The Group	
	2010 RM'000	2009 RM'000
Revenue	399,916	343,285
Profit after taxation	143,575	99,462

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

	The Group	
	2010 RM'000	2009 RM'000
Total assets	10,172,426	8,071,351
Total liabilities	9,394,984	7,342,850
Commitments and contingencies	636,369	686,759

Details of the associated company held by the Bank are as follows:

Name	Percentage (%) of equity held		Principal activities
	2010	2009	
Bank of Chengdu Co., Ltd	20%	20%	Commercial banking

15 PREPAID LEASE PAYMENTS

	Leasehold land less than 50 years RM'000	Leasehold land 50 years or more RM'000	Total RM'000
The Group			
2010			
Cost			
As at the beginning of the financial year	5,271	3,876	9,147
Reclassification from property and equipment	-	9,794	9,794
Disposal during the financial year	-	(1,335)	(1,335)
As at the end of the financial year	5,271	12,335	17,606
Accumulated Amortisation			
As at the beginning of the financial year	2,136	826	2,962
Amortisation during the financial year	45	515	560
Disposals	-	(55)	(55)
As at the end of the financial year	2,181	1,286	3,467
Net book value as at 30 June 2010	3,090	11,049	14,139

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

15 PREPAID LEASE PAYMENTS (continued)

Future amortisation of prepaid lease payments are as follows:-

	Leasehold land less than 50 years RM'000	Leasehold land 50 years or more RM'000	Total RM'000
The Group			
2009			
Cost			
As at the beginning/end of the financial year	5,271	3,876	9,147
Accumulated 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
The Bank			
2010			
Cost			
As at the beginning of the financial year	4,011	2,825	6,836
Reclassification from property and equipment	-	9,794	9,794
Disposal during the financial year	-	(1,335)	(1,335)
As at the end of the financial year	4,011	11,284	15,295
Accumulated Amortisation			
As at the beginning of the financial year	877	648	1,525
Amortisation during the financial year	45	506	551
Disposals	-	(55)	(55)
As at end of the financial year	922	1,099	2,021
Net book value as at 30 June 2010	3,089	10,185	13,274
2009			
Cost			
As at the beginning/end of the financial year	4,011	2,825	6,836
Accumulated Amortisation			
As at the beginning of the financial year	832	618	1,450
Amortisation during the financial year	45	30	75
As at the end of the financial year	877	648	1,525
Net book value as at 30 June 2009	3,134	2,177	5,311

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

15 PREPAID LEASE PAYMENTS (continued)

Future amortisation of prepaid lease payments are as follows:-

The Group				
	2010		2009	
	Less than 50 years RM'000	50 years or more RM'000	Less than 50 years RM'000	50 years or more RM'000
- Not later than 1 year	105	78	105	78
- Later than 1 year and not later than 5 years	422	987	422	310
- Later than 5 years	2,563	9,984	2,608	2,662
	3,090	11,049	3,135	3,050

The Bank				
	2010		2009	
	Less than 50 years RM'000	50 years or more RM'000	Less than 50 years RM'000	50 years or more RM'000
- Not later than 1 year	80	226	80	57
- Later than 1 year and not later than 5 years	321	903	321	226
- Later than 5 years	2,688	9,056	2,733	1,894
	3,089	10,185	3,134	2,177

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16 PROPERTY AND EQUIPMENT

The Group	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000	Office furniture, fittings, equipment and renovations RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work in progress RM'000	Total RM'000
2010									
Cost									
As at beginning of the financial year	45,374	32,748	2,683	18,820	179,090	310,112	8,193	111,271	708,291
Additions	-	-	-	-	35,878	42,890	1,680	1,123	81,571
Reclassification	-	-	-	76,554	-	-	-	(76,554)	-
Reclassification to prepaid lease payments	-	-	-	-	-	-	-	(9,794)	(9,794)
Disposals/write-off	(47)	(1,394)	-	-	(1,062)	(1,537)	(1,062)	-	(5,102)
Disposal of HLTMT	-	-	-	-	(764)	(444)	(274)	-	(1,482)
Exchange fluctuation	-	-	-	-	(218)	(426)	(34)	-	(678)
As at end of the financial year	45,327	31,354	2,683	95,374	212,924	350,595	8,503	26,046	772,806
Accumulated depreciation									
As at beginning of the financial year	-	5,951	739	3,645	147,594	233,549	3,975	-	395,453
Charge for the financial year	-	346	36	1,164	14,209	31,326	1,634	-	48,715
Disposals/write-off	-	(9)	-	-	(778)	(1,484)	(922)	-	(3,193)
Disposal of HLTMT	-	-	-	-	(355)	(219)	(47)	-	(621)
Exchange fluctuation	-	-	-	-	(120)	(262)	(11)	-	(393)
As at end of the financial year	-	6,288	775	4,809	160,550	262,910	4,629	-	439,961
Net book value as at 30 June 2010	45,327	25,066	1,908	90,565	52,374	87,685	3,874	26,046	332,845
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

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

16 PROPERTY AND EQUIPMENT (continued)

The Bank	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000	Office furniture, fittings, equipment and renovations RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work in progress RM'000	Total RM'000
2010									
Cost									
As at beginning of the financial year	35,799	30,291	2,674	14,976	174,684	308,425	7,433	111,047	685,329
Additions	-	-	-	-	32,952	37,118	1,327	1,123	72,520
Reclassification	-	-	-	76,554	-	-	-	(76,554)	-
Reclassification to prepaid lease payments	-	-	-	-	-	-	-	(9,794)	(9,794)
Disposals	(47)	(1,394)	-	-	(1,062)	(1,537)	(1,062)	-	(5,102)
Exchange fluctuation	-	-	-	-	(153)	(425)	(34)	-	(612)
As at end of the financial year	35,752	28,897	2,674	91,530	206,421	343,581	7,664	25,822	742,341
Accumulated depreciation									
As at beginning of the financial year	-	5,110	740	1,772	144,416	232,573	3,706	-	388,317
Charge for the financial year	-	302	36	1,087	13,221	30,296	1,505	-	46,447
Disposals	-	(9)	-	-	(778)	(1,484)	(922)	-	(3,193)
Exchange fluctuation	-	-	-	-	(120)	(262)	(11)	-	(393)
As at end of the financial year	-	5,403	776	2,859	156,739	261,123	4,278	-	431,178
Net book value as at 30 June 2010	35,752	23,494	1,898	88,671	49,682	82,458	3,386	25,822	311,163
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

Notes to the Financial Statements

for the financial year ended 30 June 2010
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17 INTANGIBLE ASSETS

	Computer software	Computer software
	2010 RM'000	2009 RM'000
The Group		
Cost		
As at beginning of the financial year	126,022	116,434
Additions	35,288	9,588
Disposal of HLTMT	(2,414)	-
Written off	(314)	-
As at end of the financial year	158,582	126,022
Accumulated Amortisation		
As at beginning of the financial year	96,474	83,172
Amortisation during the financial year	14,068	13,302
Disposal of HLTMT	(1,153)	-
Written off	(217)	-
As at end of the financial year	109,172	96,474
Net book value as at 30 June	49,410	29,548
The Bank		
Cost		
As at beginning of the financial year	123,615	114,087
Additions	32,552	9,528
Written off	(314)	-
As at end of the financial year	155,853	123,615
Accumulated Amortisation		
As at beginning of the financial year	95,402	82,578
Amortisation during the year	13,733	12,824
Written off	(217)	-
As at end of the financial year	108,918	95,402
Net book value as at 30 June	46,935	28,213

The remaining amortisation period of the computer software is between 1 - 5 years.

Notes to the Financial Statements

for the financial year ended 30 June 2010

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18 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					
2010					
As at beginning of the financial year	136,207	(7,942)	8,603	16,745	153,613
Credited/(charged) to income statement (Note 36)	8,249	(7,264)	-	208	1,193
Transferred to equity	-	-	(14,669)	-	(14,669)
As at end of the financial year	144,456	(15,206)	(6,066)	16,953	140,137
2009					
As at beginning of the financial year	131,740	(9,691)	4,591	46,513	173,153
Credited/(charged) to income statement (Note 36)	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
The Bank					
2010					
As at beginning of the financial year	117,826	(7,942)	9,217	15,580	134,681
Credited/(charged) to income statement (Note 36)	10,078	(6,415)	-	(852)	2,811
Transferred to equity	-	-	(14,948)	-	(14,948)
As at end of the financial year	127,904	(14,357)	(5,731)	14,728	122,544
2009					
As at beginning of the financial year	115,475	(9,691)	4,888	44,631	155,303
Credited/(charged) to income statement (Note 36)	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

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for the financial year ended 30 June 2010

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19 GENERAL AND FAMILY TAKAFUL FUNDS

	The Group		
	General Takaful Fund RM'000	2009 Family RM'000	Total RM'000
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

During the financial year, the Bank has disposed its entire shareholding in HLTMT.

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

	The Group	
	2010 RM'000	2009 RM'000
Gross contributions	-	4,454
Retakaful	-	(3,089)
Net contributions	-	1,365
Increase in unearned contribution reserves	-	(767)
Earned contributions	-	598
Net claims incurred	-	(129)
Wakalah fee	-	(1,246)
Commission income	-	890
Underwriting surplus	-	113
Net investment income	-	23
General takaful participants' funds for the financial year	-	136
General takaful participants' funds at beginning of the financial year	-	(317)
Movement in Qardhul Hassan Loan	-	356
Participants' fund at end of the financial year	-	175
Unearned contribution reserves at end of the financial year	-	1,308
General takaful fund at end of the financial year	-	1,483

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19 GENERAL AND FAMILY TAKAFUL FUNDS (continued)

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

The Group		
	2010 RM'000	2009 RM'000
Gross contributions	-	11,234
Retakaful	-	(691)
Net contributions	-	10,543
Benefits paid and payable:		
Death	-	(1,890)
Wakalah fee	-	(2,218)
Other operating expenses – net	-	(16)
Inward retakaful surplus sharing with ceding takaful operator	-	(81)
	-	(2,315)
Net investment income	-	394
Surplus before taxation	-	6,732
Taxation	-	(89)
Surplus after taxation before surplus from investment-linked business	-	6,643
Surplus after taxation from investment-linked business	-	40,560
Surplus after taxation/family takaful fund at end of the financial year	-	47,203
Family takaful fund at the beginning of the financial year	-	160,414
Movement in Qardhul Hassan Loan	-	(41)
Family takaful fund at the end of the financial year	-	207,576

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

The Group		
	2010 RM'000	2009 RM'000
Liabilities to participants:		
Participants' Account ("PA")		
As at beginning of the financial year	206,263	159,775
Increase in PA	-	46,488
Disposal of HLTMT	(206,263)	-
As at end of the financial year	-	206,263
Participants' Special Account ("PSA")		
As at beginning of the financial year	1,313	639
Increase in PSA	-	674
Disposal of HLTMT	(1,313)	-
As at end of the financial year	-	1,313
Liabilities to participants as at end of the financial year	-	207,576

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for the financial year ended 30 June 2010
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19 GENERAL AND FAMILY TAKAFUL FUNDS (continued)

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

The Group		
	2010 RM'000	2009 RM'000
Unallocated surplus:		
As at beginning of the financial year	-	-
Surplus after taxation	-	47,203
Movement in Qardhul Hassan Loan	-	(41)
Increase in liabilities to participants	-	(47,162)
Unallocated surplus carried forward	-	-
Family takaful fund as at end of the financial year:		
As at beginning of the financial year	207,576	160,414
Increase in liabilities to participants for the financial year	-	47,162
Disposal of HLTMT	(207,576)	-
As at end of the financial year	-	207,576

20 DEPOSITS FROM CUSTOMERS

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fixed deposits	38,508,805	36,857,055	33,762,006	31,670,086
Negotiable instruments of deposit	2,580,634	3,526,455	2,800,837	2,359,236
	41,089,439	40,383,510	36,562,843	34,029,322
Demand deposits	8,012,103	6,807,711	7,364,677	6,447,625
Savings deposits	8,392,327	7,841,769	7,092,707	6,691,831
Short term corporate placements	11,963,804	11,908,438	11,963,804	11,908,438
Others	255,019	641,929	255,019	641,929
	69,712,692	67,583,357	63,239,050	59,719,145

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

		The Group		The Bank	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Due within:					
- six months		32,101,185	31,130,663	27,869,161	25,287,814
- six months to one year		7,891,046	8,557,265	7,618,231	8,151,108
- one year to three years		1,097,208	695,582	1,075,451	590,400
		41,089,439	40,383,510	36,562,843	34,029,322

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20 DEPOSITS FROM CUSTOMERS (continued)

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

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Government and statutory bodies	856,715	714,312	301,097	550,071
Business enterprises	34,198,672	33,264,462	30,186,453	27,262,391
Individuals	33,353,132	32,608,117	31,601,960	31,024,913
Others	1,304,173	996,466	1,149,540	881,770
	69,712,692	67,583,357	63,239,050	59,719,145

21 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Licensed banks	3,583,826	2,172,604	3,577,032	2,142,604
Licensed investment banks	-	29,700	-	29,700
Other financial institutions	292,577	201,855	214,097	201,855
	3,876,403	2,404,159	3,791,129	2,374,159

22 DERIVATIVE FINANCIAL INSTRUMENTS

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Derivatives at fair value through profit or loss:				
- interest rate swaps	365,521	402,501	365,521	402,501
- cross currency swaps	390,779	175,031	711,345	175,031
- foreign currency forwards	264,014	159,712	264,014	159,712
- foreign currency options	16,276	1,455	16,276	1,455
- futures	96	3,090	96	3,090
- equity options	204	75	204	75
Derivatives designated as fair value hedge:				
- interest rate swaps	-	34,480	-	34,480
Total derivative financial instruments assets	1,036,890	776,344	1,357,456	776,344

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for the financial year ended 30 June 2010
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22 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Derivatives at fair value through profit or loss:				
- interest rate swaps	(393,110)	(431,320)	(393,110)	(431,320)
- cross currency swaps	(333,731)	(69,484)	(654,297)	(69,484)
- foreign currency forwards	(290,731)	(84,196)	(290,731)	(84,196)
- foreign currency options	(16,372)	(842)	(16,372)	(842)
- equity options	(204)	(75)	(204)	(75)
- futures	(11,855)	(11,989)	(11,855)	(11,989)
Derivatives designated as fair value hedge:				
- interest rate swaps	(12,948)	(39,567)	(12,948)	(39,567)
- futures	-	(12,694)	-	(12,694)
Total derivative financial instruments liabilities	(1,058,951)	(650,167)	(1,379,517)	(650,167)

23 OTHER LIABILITIES

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Zakat	50	55	-	-
Profit equalisation reserve	5,255	4,691	-	-
Post employment benefits obligation				
- defined contribution plan	3,113	3,181	3,113	3,181
Interest payable	377,061	261,417	339,044	228,736
Loan advance payment	982,043	802,122	927,380	765,762
Treasury clearing	554,455	30,671	536,570	30,671
Derivative financial instruments (Note 22)	1,058,951	650,167	1,379,517	650,167
Amount due to subsidiary companies	-	-	70,968	43,671
Others	683,993	641,040	633,703	604,967
	3,664,921	2,393,344	3,890,295	2,327,155

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24 SUBORDINATED OBLIGATIONS

The Group and The Bank		
	2010 RM'000	2009 RM'000
Subordinated obligations, at par	749,250	749,250
Foreign exchange translations	(101,734)	(45,218)
	647,516	704,032
Add: Unamortised fair value changes arising from terminated fair value hedge	2,954	25,766
Less: Unaccrued discount	(16)	(232)
	650,454	729,566

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%. The Bonds was redeemed on 3 August 2010.

25 SHARE CAPITAL

The Group and The Bank		
	2010 RM'000	2009 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

26 RESERVES

		The Group		The Bank	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Retained profits	(a)	3,044,043	2,356,326	2,573,041	2,063,433
Share premium		539,664	539,664	539,664	539,664
Statutory reserve	(b)	1,902,915	1,860,821	1,741,612	1,741,612
Share options reserve	(c)	15,829	13,022	15,829	13,022
Fair value reserve	(d)	17,060	(26,701)	17,189	(27,654)
Exchange fluctuation reserve	(e)	12,313	37,050	35,529	35,529
		2,487,781	2,423,856	2,349,823	2,302,173
		5,531,824	4,780,182	4,922,864	4,365,606

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

26 RESERVES (continued)

- (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 2010, 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.

- (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 50 to the financial statements.
- (d) Movement of the fair value reserve is as follows:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
As at beginning of the financial year	(26,701)	(14,701)	(27,654)	(14,663)
Net gain from change in fair value	71,767	20,315	69,861	12,577
Net gain transferred to net profit on disposal and impairment	(13,079)	(35,645)	(10,070)	(29,897)
Deferred taxation	(14,669)	4,012	(14,948)	4,329
Disposal of HLTMT	(255)	-	-	-
Share of fair value reserve of associated company	(3)	(682)	-	-
Net change in fair value reserve	43,761	(12,000)	44,843	(12,991)
As at end of the financial year	17,060	(26,701)	17,189	(27,654)

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

27 TREASURY SHARES

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Purchase of own shares pursuant to Section 67A, Companies Act 1965	431,746	431,729	431,746	431,729
Treasury shares for ESOS scheme	256,162	267,323	256,162	267,323
	687,908	699,052	687,908	699,052

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

27 TREASURY SHARES (continued)

(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 Annual General Meeting held on 27 October 2009, 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 (2009: 2,000) of its issued share capital, at an average price of RM8.52 per share (2009: RM5.45), from the open market. The total consideration paid for the share buyback of its own shares, including transaction costs, was RM17,033 (2009: RM10,895) and was financed by internally generated funds. As at 30 June 2010, the total number of shares bought was 81,094,700 (2009: 81,092,700) and the shares held were accounted as treasury shares in accordance with the provisions of Section 67A of the Companies Act, 1965.

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 2010 after deducting treasury shares purchased is 1,499,012,334 shares (2009: 1,499,014,334). 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 2010, the total number of shares held was 47,915,000 (2009: 50,000,000).

28 INTEREST INCOME

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Loans and advances				
- interest income other than recoveries from NPLs	1,530,567	1,699,410	1,542,139	1,705,728
- recoveries from non-performing loans and advances	111,695	111,659	111,695	111,659
Money at call and deposit placements with financial institutions	355,588	670,996	345,018	671,681
Securities purchased under resale agreements	166	1,088	166	1,088
Securities held at fair value through profit or loss	58,503	21,951	58,503	22,174
Available-for-sale securities	129,359	91,119	129,092	90,176
Held-to-maturity securities	223,653	145,010	223,637	145,010
Others	1,130	1,293	34,576	1,220
	2,410,661	2,742,526	2,444,826	2,748,736
Accretion of discount less amortisation of premium	153,473	203,169	159,037	203,169
Net interest suspended	(11,277)	(14,903)	(11,277)	(14,903)
	142,196	188,266	147,760	188,266
	2,552,857	2,930,792	2,592,586	2,937,002

Notes to the Financial Statements

for the financial year ended 30 June 2010
(continued)

29 INTEREST EXPENSE

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deposits and placements of banks and other financial institutions	33,145	80,415	34,665	81,100
Deposits from other customers	1,101,105	1,459,900	1,139,844	1,461,426
Subordinated bonds	35,089	36,631	35,089	36,631
Others	869	726	194	726
	1,170,208	1,577,672	1,209,792	1,579,883

30 INCOME FROM ISLAMIC BANKING BUSINESS

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Income derived from investment of depositors' funds and others	309,105	322,131	-	-
Income derived from investment of shareholders' funds	36,464	41,410	-	-
Profit equalisation reserve	(544)	(407)	-	-
Income attributable to depositors	(160,188)	(186,793)	-	-
	184,837	176,341	-	-

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

31 NON-INTEREST INCOME

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fee income				
Commissions	70,870	65,566	70,811	65,494
Service charges and fees	17,119	20,448	17,118	20,448
Guarantee fees	6,171	5,217	6,171	5,217
Credit card related fees	116,769	125,995	116,769	125,995
Corporate advisory fees	1,466	3,926	1,466	3,926
Commitment fees	12,862	12,819	12,887	12,889
Other fee income	75,535	64,861	75,535	64,861
	300,792	298,832	300,757	298,830
Net income from securities				
Net realised gain from sale/redemption of securities portfolio:				
- securities held at fair value through profit or loss and derivatives	29,243	18,052	24,986	7,472
- available-for-sale securities	10,070	29,897	10,070	29,897
- held-to-maturity securities	1,318	316	1,318	316
Dividend income from:				
- Subsidiary companies	-	-	6,100	-
- Associated company	-	-	16,682	-
- securities held at fair value through profit or loss	-	1,880	-	1,880
- available-for-sale securities	14,087	1,576	14,087	1,576
- held-to-maturity securities	7,020	3,451	7,020	3,451
Net unrealised gain/(loss) on revaluation of securities held at fair value through profit or loss and derivatives	(9,037)	10,250	(6,726)	(40,329)
Net realised gain/(loss) on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges	513	(14,851)	4,770	(4,273)
Net unrealised gain on fair value changes arising from fair value hedges	3,472	15,858	1,486	11,450
	56,686	66,429	79,793	11,440
Other income				
Foreign exchange gain	106,504	174,606	106,607	175,229
Rental income	641	282	641	282
Gain on disposal of property and equipment	465	1,078	465	1,078
Profit from takaful investments	1,758	7,636	-	-
(Loss)/gain from disposal of subsidiaries	-	-	(2,239)	4,241
Other non-operating income	22,597	20,648	20,955	20,437
	131,965	204,250	126,429	201,267
	489,443	569,511	506,979	511,537

Notes to the Financial Statements

for the financial year ended 30 June 2010
(continued)

32 OVERHEAD EXPENSES

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Personnel costs	459,428	435,724	400,062	388,464
Establishment costs	193,751	184,985	177,441	173,437
Marketing expenses	114,252	122,131	108,801	114,595
Administration and general expenses	149,036	133,715	144,835	129,534
	916,467	876,555	831,139	806,030

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

(i) Personnel costs comprise the following:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Salaries, bonus and allowances	422,879	396,148	368,318	353,136
Other employees benefits	36,549	39,576	31,744	35,328
	459,428	435,724	400,062	388,464

(ii) Establishment costs comprise the following:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Depreciation of property and equipment	48,715	45,795	46,447	44,765
Amortisation of intangible assets	14,068	13,302	13,733	12,824
Rental of premises	43,709	41,867	39,225	39,395
Information technology expenses	42,441	43,486	41,381	42,646
Others	44,818	40,535	36,655	33,807
	193,751	184,985	177,441	173,437

(iii) Marketing expenses comprise the following:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Advertisement and publicity	64,821	62,188	62,417	61,569
Handling fees	1,861	11,250	383	7,630
Credit card related fees	34,446	35,922	34,446	35,922
Others	13,124	12,771	11,555	9,474
	114,252	122,131	108,801	114,595

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

32 OVERHEAD EXPENSES (continued)

(iv) Administration and general expenses comprise the following:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Teletransmission expenses	8,746	9,839	8,553	9,732
Stationery and printing expenses	10,261	11,812	9,885	11,558
Professional fees	43,956	40,235	42,101	38,817
Insurance fees	16,326	7,353	14,742	7,076
Stamp, postage and courier	9,352	8,682	9,353	8,689
Others	60,395	55,794	60,201	53,662
	149,036	133,715	144,835	129,534

The above expenditure includes the following statutory disclosures:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Directors' remuneration (Note 35)	6,059	5,752	5,341	4,385
Hire of equipment	9,121	8,553	9,066	8,515
Auditors' remuneration:				
Malaysian firm				
- statutory audit	594	625	508	501
- audit related fees	655	139	528	134
- other services	275	157	275	90
- tax compliance	60	47	45	20
- other tax services	120	-	120	-
PwC overseas affiliated firms				
- statutory audit	205	187	174	183
- other fees	235	308	233	305
Loss on disposal of property and equipment	158	49	158	49
Amortisation of prepaid lease payments	560	84	551	75
Property and equipment written off	15	8	15	8
Intangible assets written off	(97)	-	(97)	-
Write-back of allowances for impairment made on available-for-sale securities	(858)	(902)	(858)	(902)
Impairment losses on held-to-maturity securities	-	280	-	280
Share option expenses	4,449	10,302	4,449	10,302

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

33 ALLOWANCES FOR LOSSES ON LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Allowance for bad and doubtful debts on loans and financing:				
(a) Specific allowance				
- made during the financial year	289,332	316,410	269,501	300,461
- written back	(128,452)	(73,602)	(120,026)	(67,095)
(b) General allowance				
- made during the financial year	33,593	17,728	40,905	9,267
	194,473	260,536	190,380	242,633
Bad debts on loans and financing:				
- written off	8,799	9,015	8,129	8,428
- recovered	(98,242)	(112,837)	(93,941)	(107,764)
	(89,443)	(103,822)	(85,812)	(99,336)
	105,030	156,714	104,568	143,297

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.

34 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties and relationships

The related parties of and their relationships with the Bank are as follows:

Related parties	Relationship
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
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

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

34 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Related parties and relationships (continued)

The related parties of and their relationships with the Bank are as follows: (continued)

Related parties	Relationship
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 12	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	The key management personnel of the Bank consists of: - 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)	(i) Close family members and dependents of key management personnel (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

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

34 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 2010	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
Income			
Commitment fee and bank charges	-	-	-
Commission on Group products/services sold	-	12,881	-
Others	-	5,524	-
	-	18,405	-
Expenditure			
Rental and maintenance	-	13,170	-
Insurance	-	3,274	-
Interest on deposits	-	34	709
Interest paid on short term corporate placement	21	15,985	582
Management fees	5,133	12,995	-
Other miscellaneous expenses	117	1,935	-
	5,271	47,393	1,291
Amounts due from			
Credit card balances	-	-	147
Others	14	642	-
	14	642	147
Amounts due from			
Current account and fixed deposits	61	132,045	95,210
Short term corporate placement	-	520,465	44,282
	61	652,510	139,492

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for the financial year ended 30 June 2010

(continued)

34 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Related party transactions and balances (continued)

Group 2009	Parent company RM'000	Other related companies RM'000	Key management personnel 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	1,129
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 2010

(continued)

34 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Related party transactions and balances (continued)

The Bank 2010	Parent company RM'000	Subsidiary companies RM'000	Other related companies RM'000	Key management personnel RM'000
Income				
Interest:				
- loans	-	27	-	-
- interbank placement	-	6,249	-	-
Commitment fee and bank charges	-	25	-	-
Commission on Group products/services sold	-	157	12,881	-
Reimbursement of shared service cost	-	52,633	5,524	-
	-	59,091	18,405	-
Expenditure				
Rental and maintenance	-	937	13,170	-
Insurance	-	-	3,274	-
Interest on deposits	-	218	34	663
Interest paid on short term corporate placement	21	-	15,985	582
Management fees	5,133	-	12,995	-
Other miscellaneous expenses	117	-	1,935	-
	5,271	1,155	47,393	1,245
Amounts due from				
Overdraft	-	198	-	-
Interbank placement	-	861,157	-	-
Credit card balances	-	-	-	147
Others	14	1,009,952	642	-
	14	1,871,307	642	147
Amounts due to				
Current account and fixed deposits	61	30,619	132,045	91,503
Negotiable instruments of deposit	-	613,800	-	-
Short term corporate placement	-	-	520,465	44,282
Others	-	70,968	-	-
	61	715,387	652,510	135,785

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

34 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Related party transactions and balances (continued)

The Bank 2009	Parent company RM'000	Subsidiary companies RM'000	Other related companies RM'000	Key management personnel 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	-

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for the financial year ended 30 June 2010

(continued)

34 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Related party transactions and balances (continued)

	The Group	
	2010 RM'000	2009 RM'000
The approved limit on loans, advances and financing for key management personnel	-	-

(c) Key management personnel

Key management compensation

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Salaries and other short-term employee benefits	12,225	9,880	12,225	9,880
Share options balance of the Bank	17,776,000	21,300,000	17,776,000	21,300,000

Included in the above is the Directors' compensation which is disclosed in Note 35 to the financial statements.

Loans made to key management personnel of the Group and the Bank will be on similar terms and conditions generally available to other employees within the Group. No specific allowances were required in 2010 and 2009 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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Outstanding credit exposures with connected parties	2,172,837	1,739,955	2,170,652	1,738,233
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	5.17%	4.54%	5.65%	5.05%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	0.001%	0.001%	0.001%	0.001%

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

35 DIRECTORS' REMUNERATION

Forms of remuneration in aggregate for all Directors for the financial year are as follows:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Executive Directors:				
- salary and other remuneration	2,116	2,190	1,902	1,740
- bonuses	2,200	1,432	2,200	1,432
- contribution to defined contribution plan	512	488	492	381
- benefits-in-kind	66	562	61	64
Non-Executive Directors:				
- fees	1,165	1,080	686	768
	6,059	5,752	5,341	4,385

The remuneration attributable to the Group Managing Director of the Group and the Bank, including benefits-in-kind during the financial year amounted to RM3,668,975 (2009: RM2,651,193) and RM3,618,975 (2009: RM2,651,193) for the Group and the Bank respectively.

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.

36 TAXATION AND ZAKAT

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Malaysian income tax				
- Current year	235,830	253,728	230,080	212,663
- Over accrual in prior years	(37,431)	(49,728)	(34,081)	(10,897)
Transfer to deferred taxation (Note 18)				
- Current year	(1,193)	(6,329)	(2,811)	(4,100)
- Under accrual in prior years	-	29,881	-	29,051
Taxation	197,206	227,552	193,188	226,717
Zakat	77	54	-	-
	197,283	227,606	193,188	226,717

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

36 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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Profit before taxation and zakat	1,185,258	1,132,231	961,005	886,395
Tax calculated at a rate of 25% (2009: 25%)	296,315	283,058	240,251	221,599
Tax effects of:				
- Income not subject to tax	(33,606)	(16,118)	(22,676)	(15,881)
- Share of net income of foreign associate and joint venture company	(35,722)	(24,866)	-	-
- Expenses not deductible for tax purposes	7,650	5,325	9,694	2,845
(Over)/under accrual in prior years	(37,431)	(19,847)	(34,081)	18,154
Taxation	197,206	227,552	193,188	226,717

	The Group	
	2010 RM'000	2009 RM'000
Unused tax losses for which no deferred tax is recognised in the financial statements	30,882	36,494
Deductible temporary differences for which no deferred tax is recognised in the financial statements	-	3,148

37 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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Profit after taxation and zakat	988,020	905,335	767,817	659,678
Weighted average number of ordinary shares in issue ('000)	1,449,743	1,449,016	1,449,743	1,449,016
Basic/fully diluted earnings per share (sen)	68.2	62.5	53.0	45.5

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

38 DIVIDENDS

	2010		2009	
	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	163,060	15.0	163,014
Interim dividend	9.0	97,864	9.0	97,809
	24.0	260,924	24.0	260,823

A final dividend in respect of the financial year ended 30 June 2010 of 15.0 sen per share less tax at 25% (2009: 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 81,094,700 treasury shares held pursuant to Section 67A of the Companies Act, 1965) of RM1,499,012,334 comprising 1,499,012,334 shares as at 30 June 2010, the dividend amount would approximately be RM168,638,888. The proposed dividend will be reflected in the financial statements of the financial year ending 30 June 2011 when approved by shareholders.

39 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.

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

39 COMMITMENTS AND CONTINGENCIES (continued)

The commitments and contingencies constitute the following:

The Group						
	2010			2009		
	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	175,141	175,141	164,269	217,061	217,061	200,263
Certain transaction related contingent items	257,429	128,715	117,040	247,102	123,551	110,598
Short-term self-liquidating trade- related contingencies	533,384	106,677	104,316	578,754	115,750	113,434
Commitments that are unconditionally cancellable by the bank at any time without prior notice [#]	21,147,806	-	-	18,806,674	-	-
Foreign exchange related contracts:						
- less than one year	32,233,967	676,076	304,562	16,955,284	349,792	191,764
- one year to less than five years	6,113,446	768,813	620,242	3,421,043	485,318	274,098
- five years and above	268,230	60,762	30,381	298,668	62,884	31,442
Interest rate related contracts:						
- less than one year	10,171,714	48,784	24,393	9,848,229	46,175	23,223
- one year to less than five years	21,886,133	689,933	349,214	26,247,637	996,737	504,359
- five years and above	6,183,750	666,243	333,122	1,401,880	180,913	90,457
Equity related contracts:						
- less than one year	155,350	9,527	2,861	96,900	5,814	2,462
- one year to less than five years	32,900	2,632	527	150,203	12,016	4,264
	99,159,250	3,333,303	2,050,927	78,269,435	2,596,011	1,546,364

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

39 COMMITMENTS AND CONTINGENCIES (continued)

The commitments and contingencies constitute the following: (continued)

	The Bank					
	2010			2009		
	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	175,141	175,141	164,269	217,061	217,061	200,263
Certain transaction related contingent items	256,300	128,151	116,476	246,276	123,138	110,184
Short-term self-liquidating trade- related contingencies	531,631	106,326	103,965	576,541	115,308	112,991
Commitments that are unconditionally cancellable by the bank at any time without prior notice [#]	19,682,271	-	-	17,717,496	-	-
Foreign exchange related contracts:						
- less than one year	32,233,967	676,073	304,561	16,955,284	349,792	191,764
- one year to less than five years	9,215,323	1,430,587	1,282,015	3,421,043	485,318	274,098
- five years and above	268,230	60,762	30,381	298,668	62,884	31,442
Interest rate related contracts:						
- less than one year	10,171,714	48,784	24,393	9,848,229	46,175	23,223
- one year to less than five years	21,886,133	689,934	349,214	26,247,637	996,737	504,359
- five years and above	6,183,750	666,243	333,122	1,401,880	180,913	90,457
Equity related contracts:						
- less than one year	155,350	9,527	2,861	96,900	5,814	2,462
- one year to less than five years	32,900	2,632	527	150,203	12,016	4,264
	100,792,710	3,994,160	2,711,784	77,177,218	2,595,156	1,545,507

[#] 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 2010

(continued)

39 COMMITMENTS AND CONTINGENCIES (continued)

The foreign exchange and interest rate related contracts are made up as follows:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Foreign exchange related contracts:				
- swaps and forward contracts	27,874,215	15,110,163	27,874,215	15,110,163
- options	3,981,630	1,564,171	3,981,630	1,564,171
- cross currency swaps	6,759,798	4,000,661	9,861,675	4,000,661
Interest rate related contracts:				
- futures contracts	4,476,038	5,841,386	4,476,038	5,841,386
- interest rate swaps	33,763,359	31,604,160	33,763,359	31,604,160
- cap/floors	-	50,000	-	50,000
- swaptions	2,200	2,200	2,200	2,200
Equity related contracts:				
- options	188,250	247,103	188,250	247,103

Foreign exchange and interest rate related contracts are subject to market risk and credit risk.

40 CAPITAL COMMITMENTS

Capital expenditure approved by Directors but not provided for in the financial statements are as follows:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Authorised and contracted for	73,110	72,289	72,386	71,206
Authorised but not contracted for	13,423	56,323	13,423	56,323
	86,533	128,612	85,809	127,529

The capital commitments are in respect of property and equipment.

41 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:

	2010 RM'000	2009 RM'000
Not later than one year	3,682	3,598
Later than one year and not later than five years	4,716	7,514
More than 5 years	-	394

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

42 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 were incorporated in Malaysia.

43 CAPITAL ADEQUACY

(i) The capital adequacy ratios of the Group and the Bank are as follows:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Tier-1 capital	6,266,826	5,577,313	5,675,330	5,139,634
Tier-2 capital	1,225,322	1,248,623	1,159,115	1,175,105
Total capital	7,492,148	6,825,936	6,834,445	6,314,739
Less: Investment in subsidiary companies	-	-	(714,092)	(575,746)
Less: Investment in associated company	(1,172,175)	(1,045,285)	(946,505)	(946,505)
Less: Investment in jointly controlled entity	(76,023)	-	(76,711)	-
Capital base	6,243,950	5,780,651	5,097,137	4,792,488
Capital ratios				
Core capital ratio	15.50%*	15.72%	13.34%*	14.99%*
Risk-weighted capital ratio	15.50%*	16.30%	13.34%*	14.99%*
Core capital ratio (net of proposed dividends)	15.08%*	15.25%	12.90%*	14.46%*
Risk-weighted capital ratio (net of proposed dividends)	15.08%*	15.82%	12.90%*	14.46%*

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

(ii) Components of Tier-1 and Tier-2 capital are as follows:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 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*	4,975,100	4,267,219	4,366,011	3,853,596
Minority interest	-	42,988	-	-
Treasury shares	(687,908)	(699,052)	(687,908)	(699,052)
Less: Deferred tax assets	(140,137)	(153,613)	(122,544)	(134,681)
Total tier-1 capital	6,266,826	5,577,313	5,675,330	5,139,634

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

43 CAPITAL ADEQUACY (continued)

(ii) Components of Tier-1 and Tier-2 capital are as follows:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Tier-2 capital				
Subordinated obligations	647,500	703,800	647,500	703,800
General allowance for bad and doubtful debts	577,822	544,823	511,615	471,305
Total tier-2 capital	1,225,322	1,248,623	1,159,115	1,175,105
Total capital	7,492,148	6,825,936	6,834,445	6,314,739
Less: Investment in subsidiary companies	-	-	(714,092)	(575,746)
Less: Investment in associated company	(1,172,175)	(1,045,285)	(946,505)	(946,505)
Less: Investment in jointly controlled company	(76,023)	-	(76,711)	-
Total capital base	6,243,950	5,780,651	5,097,137	4,792,488

* 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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Credit risk	33,410,804	29,763,182	31,915,225	26,778,730
Market risk	2,959,318	1,973,766	2,720,655	1,787,131
Operational risk	3,912,306	3,737,622	3,566,649	3,414,147
	40,282,428	35,474,570	38,202,529	31,980,008

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

43 CAPITAL ADEQUACY (continued)

(iv) Disclosures on capital adequacy under the Standardised Approach:

The Group 2010					
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	21,654,134	21,654,134	-	-	-
Public sector entities	38,067	38,067	7,613	7,613	609
Banks, DFIs and MDBs	11,827,207	11,827,208	3,881,967	3,881,967	310,557
Insurance companies, securities firms and fund managers	141,889	141,889	141,889	141,889	11,351
Corporates	10,322,814	9,913,837	9,548,420	9,548,420	763,874
Regulatory retail	15,718,446	15,375,450	11,531,588	11,531,588	922,527
Residential mortgages	11,901,720	11,901,235	4,546,961	4,546,961	363,757
Higher risk assets	47,379	47,379	71,071	71,071	5,686
Other assets	1,698,839	1,698,839	750,169	750,169	60,014
Defaulted exposures	674,975	674,597	880,199	880,199	70,416
Total for on balance sheet exposures	74,025,470	73,272,635	31,359,877	31,359,877	2,508,791
Off balance sheet exposures					
OTC derivatives	2,922,770	2,922,770	1,665,302	1,665,302	133,224
Off balance sheet exposures other than OTC derivatives or credit derivatives	406,434	406,434	379,477	379,477	30,358
Defaulted exposures	4,099	4,099	6,148	6,148	492
Total for off balance sheet exposures	3,333,303	3,333,303	2,050,927	2,050,927	164,074
Total for on and off balance sheet exposures	77,358,773	76,605,938	33,410,804	33,410,804	2,672,865

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

43 CAPITAL ADEQUACY (continued)

(iv) Disclosures on capital adequacy under the Standardised Approach: (continued)

The Group 2010						
Exposure class	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	41,961,110	35,247,397	6,713,713	1,363,329	1,363,329	109,066
Foreign currency risk	1,559,603	1,146,741	1,559,603	1,559,476	1,559,476	124,758
Option risk	-	-	-	36,513	36,513	2,921
Total market risk				<u>2,959,318</u>	<u>2,959,318</u>	<u>236,745</u>
Operational risk						
Operational risk				3,912,306	3,912,306	312,984
Total risk-weighted assets and capital requirements				<u>40,282,428</u>	<u>40,282,428</u>	<u>3,222,594</u>

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 2010

(continued)

43 CAPITAL ADEQUACY (continued)

(iv) Disclosures on capital adequacy under the Standardised Approach: (continued)

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	1,809,812	1,809,812	815,551	815,551	71,054
Defaulted exposures	703,439	701,203	870,018	870,018	69,601
Total for on balance sheet exposures	70,844,574	70,168,908	28,216,818	28,216,818	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	73,440,585	72,764,919	29,763,182	29,763,182	2,386,865

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

43 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	837,040	769,044	837,040	837,040	837,040	66,963
Option risk	-	-	-	4,600	4,600	368
Total market risk				<u>1,973,766</u>	<u>1,973,766</u>	<u>157,901</u>
Operational risk						
Operational risk				<u>3,737,622</u>	<u>3,737,622</u>	<u>299,010</u>
Total risk-weighted assets and capital requirements				<u>35,474,570</u>	<u>35,474,570</u>	<u>2,843,776</u>

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 2010

(continued)

43 CAPITAL ADEQUACY (continued)

(iv) Disclosures on capital adequacy under the Standardised Approach: (continued)

The Bank 2010					
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	19,602,556	19,602,556	-	-	-
Public sector entities	38,067	38,067	7,613	7,613	609
Banks, DFIs and MDBs	11,465,743	11,465,744	3,797,269	3,797,269	303,782
Insurance companies, securities firms and fund managers	136,815	136,815	136,815	136,815	10,945
Corporates	9,685,888	9,277,771	8,932,794	8,932,794	714,624
Regulatory retail	13,210,978	12,870,523	9,652,894	9,652,894	772,232
Residential mortgages	10,908,047	10,907,594	4,161,320	4,161,320	332,906
Higher risk assets	46,184	46,184	69,278	69,278	5,542
Other assets	2,653,065	2,653,065	1,704,011	1,704,011	136,321
Defaulted exposures	578,031	577,723	741,447	741,447	59,316
Total for on balance sheet exposures	68,325,374	67,576,042	29,203,441	29,203,441	2,336,277
Off balance sheet exposures					
OTC derivatives	3,584,542	3,584,542	2,327,074	2,327,074	186,166
Off balance sheet exposures other than OTC derivatives or credit derivatives	405,519	405,519	378,562	378,562	30,285
Defaulted exposures	4,099	4,099	6,148	6,148	492
Total for off balance sheet exposures	3,994,160	3,994,160	2,711,784	2,711,784	216,943
Total for on and off balance sheet exposures	72,319,534	71,570,202	31,915,225	31,915,225	2,553,220

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

43 CAPITAL ADEQUACY (continued)

(iv) Disclosures on capital adequacy under the Standardised Approach: (continued)

The Bank 2010						
Exposure class	Gross exposures		Net exposures	Risk-weighted assets	Total risk-weighted assets after effects of PSIA	Capital requirements
	Long Position RM'000	Short Position RM'000	RM'000	RM'000	RM'000	RM'000
Market risk						
Interest rate risk	41,378,519	36,798,335	4,580,184	1,132,207	1,132,207	90,577
Foreign currency risk	1,551,935	1,145,949	1,551,935	1,551,935	1,551,935	124,155
Option risk	-	-	-	36,513	36,513	2,921
Total market risk				<u>2,720,655</u>	<u>2,720,655</u>	<u>217,653</u>
Operational risk						
Operational risk				<u>3,566,649</u>	<u>3,566,649</u>	<u>285,332</u>
Total risk-weighted assets and capital requirements				<u>38,202,529</u>	<u>38,202,529</u>	<u>3,056,205</u>

PSIA : Profit sharing investment account

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Notes to the Financial Statements

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43 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	1,770,058	1,770,058	775,111	775,111	67,819
Defaulted exposures	662,282	660,047	815,801	815,801	65,264
Total for on balance sheet exposures	63,603,966	62,931,432	25,233,223	25,233,223	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	66,199,122	65,526,588	26,778,730	26,778,730	2,148,109

Notes to the Financial Statements

for the financial year ended 30 June 2010
(continued)

43 CAPITAL ADEQUACY (continued)

(iv) Disclosures on capital adequacy under the Standardised Approach: (continued)

The Bank 2009						
Exposure class	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	3,379,256	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	-	-	-	4,600	4,600	368
Total market risk				<u>1,787,131</u>	<u>1,787,131</u>	<u>142,971</u>
Operational risk						
Operational risk				<u>3,414,147</u>	<u>3,414,147</u>	<u>273,132</u>
Total risk-weighted assets and capital requirements				<u>31,980,008</u>	<u>31,980,008</u>	<u>2,564,212</u>

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 2010

(continued)

43 CAPITAL ADEQUACY (continued)

(v) Disclosures on off balance sheet and counterparty credit risk:

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

Notes to the Financial Statements

for the financial year ended 30 June 2010
(continued)

43 CAPITAL ADEQUACY (continued)

(v) Disclosures on off balance sheet and counterparty credit risk: (continued)

	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 2010

(continued)

43 CAPITAL ADEQUACY (continued)

(v) Disclosures on off balance sheet and counterparty credit risk: (continued)

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

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

43 CAPITAL ADEQUACY (continued)

(v) Disclosures on off balance sheet and counterparty credit risk: (continued)

	The Bank 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	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 2010

(continued)

43 CAPITAL ADEQUACY (continued)

(vi) Disclosures on risk weights:

The Group 2010	Exposures after netting and credit risk mitigation										
Supervisory risk weights %	Sovereigns and central banks RM'000	PSEs RM'000	Banks, IMDBs and DFIs RM'000	Insurance companies, securities firms and fund managers RM'000	Corporates RM'000	Regulatory retail RM'000	Residential mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Total exposure after netting and credit risk mitigation RM'000	Total risk- weighted assets RM'000
0%	21,670,392	-	-	-	1,559	-	-	-	823,502	22,495,453	-
10%	-	-	-	-	-	-	-	-	-	-	-
20%	-	38,067	7,015,407	-	408,984	-	-	-	156,458	7,618,916	1,523,783
35%	-	-	-	-	-	-	9,357,713	-	-	9,357,713	3,275,200
50%	-	-	7,145,143	-	96,544	23,688	2,559,489	-	-	9,824,864	4,912,432
75%	-	-	-	-	-	15,483,039	-	-	-	15,483,039	11,612,279
90%	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	391	141,890	10,336,357	30,202	75,921	-	718,878	11,303,639	11,303,639
110%	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	344,153	130,538	-	47,623	-	522,314	783,471
270%	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-
938%	-	-	-	-	-	-	-	-	-	-	-
1,250%	-	-	-	-	-	-	-	-	-	-	-
Total	21,670,392	38,067	14,160,941	141,890	11,187,597	15,667,467	11,993,123	47,623	1,698,838	76,605,938	33,410,804

PSE : Public Sector Entity

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

43 CAPITAL ADEQUACY (continued)

(vi) Disclosures on risk weights: (continued)

The Group 2009	Exposures after netting and credit risk mitigation											
	Supervisory risk weights %	Sovereigns and central banks RM'000	PSEs RM'000	Banks, MDBs and DFIs RM'000	Insurance companies, securities firms and fund managers RM'000	Corporates RM'000	Regulatory retail RM'000	Residential mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Total exposure after netting and credit risk mitigation RM'000	Total risk- weighted assets 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	-	802,733	10,249,341	10,249,341
	110%	-	-	-	-	-	-	-	-	-	-	-
	125%	-	-	-	-	-	-	-	-	-	-	-
	135%	-	-	-	-	-	-	-	-	-	-	-
	150%	-	-	-	-	278,499	139,297	-	46,819	-	464,615	696,923
	270%	-	-	-	-	-	-	-	-	-	-	-
	350%	-	-	-	-	-	-	-	-	-	-	-
	400%	-	-	-	-	-	-	-	-	-	-	-
	625%	-	-	-	-	-	-	-	-	-	-	-
	938%	-	-	-	-	-	-	-	-	-	-	-
	1,250%	-	-	-	-	-	-	-	-	-	-	-
Total		23,750,099	95,876	10,828,891	31,343	10,391,710	15,030,602	10,779,766	46,819	1,809,813	72,764,919	29,763,182

PSE : Public Sector Entity

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

43 CAPITAL ADEQUACY (continued)

(vi) Disclosures on risk weights: (continued)

The Bank 2010	Exposures after netting and credit risk mitigation											
	Supervisory risk weights %	Sovereigns and central banks RM'000	PSEs RM'000	Banks, MDBs and DFIs RM'000	Insurance companies, securities firms and fund managers RM'000	Corporates RM'000	Regulatory retail RM'000	Residential mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Total exposure after netting and credit risk mitigation RM'000	Total risk- weighted assets RM'000
	0%	19,618,813	-	-	-	1,559	-	-	-	823,886	20,444,258	-
	10%	-	-	-	-	-	-	-	-	-	-	-
	20%	-	38,067	6,695,291	-	383,434	-	-	-	156,459	7,273,251	1,454,650
	35%	-	-	-	-	-	-	8,616,530	-	-	8,616,530	3,015,786
	50%	-	-	7,103,795	-	96,544	23,533	2,305,054	-	-	9,528,926	4,764,463
	75%	-	-	-	-	-	12,978,112	-	-	-	12,978,112	9,733,584
	90%	-	-	-	-	-	-	-	-	-	-	-
	100%	-	-	391	136,815	10,386,697	28,507	68,762	-	1,672,720	12,293,892	12,293,892
	110%	-	-	-	-	-	-	-	-	-	-	-
	125%	-	-	-	-	-	-	-	-	-	-	-
	135%	-	-	-	-	-	-	-	-	-	-	-
	150%	-	-	-	-	306,556	82,287	-	46,390	-	435,233	652,850
	270%	-	-	-	-	-	-	-	-	-	-	-
	350%	-	-	-	-	-	-	-	-	-	-	-
	400%	-	-	-	-	-	-	-	-	-	-	-
	625%	-	-	-	-	-	-	-	-	-	-	-
	938%	-	-	-	-	-	-	-	-	-	-	-
	1,250%	-	-	-	-	-	-	-	-	-	-	-
	Total	19,618,813	38,067	13,799,477	136,815	11,174,790	13,112,439	10,990,346	46,390	2,653,065	71,570,202	31,915,225

PSE : Public Sector Entity

Notes to the Financial Statements

for the financial year ended 30 June 2010
(continued)

43 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 RM'000	PSEs RM'000	Banks, MDBs and DFIs RM'000	Insurance companies, securities firms and fund managers RM'000	Corporates RM'000	Regulatory retail RM'000	Residential mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Total risk- weighted assets 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	-	762,293	9,646,487	9,646,487
	110%	-	-	-	-	-	-	-	-	-	-	-
	125%	-	-	-	-	-	-	-	-	-	-	-
	135%	-	-	-	-	-	-	-	-	-	-	-
	150%	-	-	-	-	276,135	113,449	-	45,853	-	435,437	653,156
	270%	-	-	-	-	-	-	-	-	-	-	-
	350%	-	-	-	-	-	-	-	-	-	-	-
	400%	-	-	-	-	-	-	-	-	-	-	-
	625%	-	-	-	-	-	-	-	-	-	-	-
	938%	-	-	-	-	-	-	-	-	-	-	-
	1,250%	-	-	-	-	-	-	-	-	-	-	-
Total		21,031,838	95,829	10,300,707	26,256	9,807,049	12,495,508	9,953,490	45,853	1,770,058	65,526,588	26,778,730

PSE : Public Sector Entity

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

44 SEGMENT REPORTING

(i) Business segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity.

The various business segments are described below:

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.

Business Banking Division 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. The group had ceased takaful business upon the completion disposal of HLTMT on 1 September 2009.

Overseas Associate refers to Bank of Chengdu Co., Ltd, which is a commercial bank in Chengdu, China that is principally engaged in corporate, commercial and consumer banking businesses.

Overseas Joint Controlled Entity refers to Sichuan Jincheng Consumer Finance Limited Liability Company, principally engaged in consumer financing business in Chengdu, China.

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

44 SEGMENT REPORTING (continued)

(i) Business segment reporting (continued)

The Group	Personal Financial Services RM'000	Business Banking Division RM'000	Treasury RM'000	Takaful Business RM'000	Overseas Associate and Jointly Controlled Entity RM'000	Total RM'000
2010						
Revenue						
- external	1,254,199	36,475	764,497	1,758	-	2,056,929
- inter-segment	154,329	201,086	(355,415)	-	-	-
	1,408,528	237,561	409,082	1,758	-	2,056,929
Overhead expenses	(684,957)	(132,265)	(97,295)	(1,950)	-	(916,467)
of which:						
Depreciation of property and equipment	(31,475)	(5,575)	(11,665)	-	-	(48,715)
Amortisation of intangible assets	(8,555)	(1,053)	(4,460)	-	-	(14,068)
Allowances for losses on loans, advances and financing	(115,538)	10,508	-	-	-	(105,030)
Writeback of impairment losses	-	-	6,939	-	-	6,939
Segment profit/(loss) before taxation and zakat	608,033	115,804	318,726	(192)	-	1,042,371
Share of results of associated company					143,575	143,575
Share of results in jointly controlled entity					(688)	(688)
Profit before taxation and zakat						1,185,258
Taxation and zakat						(197,283)
Net profit for the financial year						987,975
Segment assets	29,429,769	8,670,736	43,941,450	-	-	82,041,955
Unallocated assets						2,663,618
Total assets						84,705,573
Segment liabilities	38,983,976	15,214,489	22,458,571	-	-	76,657,036
Unallocated liabilities						1,624,514
Total liabilities						78,281,550
Other significant segment items						
Capital expenditure	83,700	11,361	12,004	-	-	107,065

Inter-segment transfer is based on internally computed cost of funds.

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for the financial year ended 30 June 2010

(continued)

44 SEGMENT REPORTING (continued)

(i) Business segment reporting (continued)

The Group	Personal Financial Services RM'000	Business Banking Division RM'000	Treasury RM'000	Takaful Business RM'000	Overseas Associate and Jointly Controlled Entity RM'000	Total 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
Overhead expenses	(656,627)	(115,143)	(95,414)	(9,371)	-	(876,555)
of which:						
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)
Impairment losses	-	(280)	(32,654)	-	-	(32,934)
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 and zakat						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						2,284,498
Total assets						79,331,915
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
Other significant segment items						
Capital expenditure	48,431	13,329	17,781	226	-	79,767

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

44 SEGMENT REPORTING (continued)

(ii) Geographical segment reporting

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, associate and joint venture operations in Singapore, Hong Kong, China and Vietnam. The overseas operations are mainly in commercial banking and treasury business.

The Group	Revenue RM'000	Total assets RM'000	Non-current assets RM'000
2010			
Malaysia	1,949,728	76,872,476	377,657
Overseas operations	107,201	7,833,097	1,266,935
	2,056,929	84,705,573	1,644,592
2009			
Malaysia	2,006,218	74,147,593	560,415
Overseas operations	92,754	5,184,322	1,050,778
	2,098,972	79,331,915	1,611,193

45 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) 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) Vietnamese Dong. The Bank is required to incorporate HLBVN and commence operations in Vietnam within 12 months from the date of issuance of the aforesaid license.

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

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

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

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

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

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

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

45 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

- (c) The JV Co business will principally be in consumer financing. The registered capital of SJCF shall be Renminbi ("RMB") 320 million (approximately RM160 million) and the Bank's contribution shall be RMB156.8 million (approximately RM78.4 million).

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

The JV Co was incorporated as Sichuan Jincheng Consumer Finance Limited Company on 26 February 2010 and has commenced operations on 1 March 2010.

- (d) The Bank had on 18 December 2008, announced that its wholly-owned subsidiary, HLF Credit (Perak) Berhad ("HLFCP") proposed to issue up to RM1,096.3 million nominal value of unsecured and unsubordinated bonds ("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 Proposed Bonds Issue was subject to the approval of the Securities Commission ("SC"). SC's approval was obtained on 27 February 2009. The Proposed Bonds Issue was completed on 8 October 2009.

- (e) On 17 December 2009, the Bank announced that Bank Negara Malaysia ("BNM") had, vide its letter dated 17 December 2009, no objection for the Bank to commence negotiations with certain shareholders of EON Capital Berhad ("EON Cap") for a potential acquisition of the assets and liabilities, including equity interests, in EON Cap.

On 6 January 2010, the Bank announced that BNM had, vide its letter dated 6 January 2010, no objection for the Bank to commence negotiations with the Boards of EON Cap and EON Bank Berhad ("EON Bank") for the proposed purchase of the assets and liabilities of EON Cap and EON Bank, including EON Cap's equity interest in EON Bank.

On 21 January 2010, CIMB Investment Bank Berhad ("CIMB"), on behalf of the Bank, announced that the Bank had made an offer to acquire the entire assets and liabilities of EON Cap at an aggregate purchase consideration of RM4,921,781,997 to be satisfied fully in cash.

On 27 January 2010, CIMB, on behalf of the Bank, announced that the Bank and EON Cap had mutually agreed to an extension of time until 2 February 2010 for EON Cap to confirm the following:

- (i) to table the offer for consideration and approval by the shareholders of EON Cap at a general meeting and take steps to issue and despatch within 5 weeks from 21 January 2010 ("Date of Offer") the notice of the general meeting and the shareholders' circular; and
- (ii) to finalise and make submissions to the relevant authorities within 4 weeks from the Date of Offer.

On 2 February 2010, CIMB, on behalf of the Bank, announced that the Bank had received a letter from EON Cap informing HLB that the Board of Directors of EON Cap had resolved not to table the offer for consideration and approval by EON Cap's shareholders, and not to submit any application to the relevant authorities for approval of the offer. Accordingly, the offer on 21 January 2010 has lapsed.

On 30 March 2010, CIMB, on behalf of the Bank, announced that the Bank made a new offer to acquire the entire assets and liabilities of EON Cap at an aggregate purchase consideration of RM4,921,781,997 to be satisfied fully in cash.

On 1 April 2010, CIMB, on behalf of the Bank, announced that the Bank has made a revised offer to acquire the entire assets and liabilities of EON Cap at an aggregate purchase consideration of RM5,060,423,744 to be satisfied fully in cash ("Offer").

On 2 April 2010, CIMB, on behalf of the Bank, announced that the Bank had received confirmation from EON Cap to, amongst others, table the Offer for consideration and approval by EON Cap's shareholders and submit the applications to the Minister of Finance and other relevant regulatory authority for approval of the Offer, in accordance with the terms of the Offer.

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for the financial year ended 30 June 2010

(continued)

45 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

- (e) On 23 April 2010, CIMB, on behalf of the Bank, announced the following:
- (i) details on the proposed acquisition of the entire assets and liabilities of EON Cap at an offer price of RM5,060,423,744 to be satisfied fully in cash ("Proposed Acquisition");
 - (ii) that HLB proposes to undertake a renounceable rights issue of new ordinary shares of RM1.00 each in HLB ("Rights Shares") to the entitled shareholders of HLB to raise gross proceeds of up to RM1.6 billion ("Proposed Rights Issue"); and
 - (iii) that HLB had made an application to BNM on the Proposed Acquisition and Proposed Rights Issue.

On 27 May 2010, CIMB, on behalf of the Bank, announced that Bursa Securities had, through its letter dated 26 May 2010, given its approval for the listing of and quotation for the Rights Shares on the Main Market of Bursa Malaysia Securities Berhad.

On 21 June 2010, CIMB, on behalf of the Bank, announced that the Bank had, pursuant to various discussions with EON Cap, issued 2 letters dated 18 June 2010 and 19 June 2010 to EON Cap clarifying or modifying the revised offer by the Bank, details as set out in the said announcement.

46 SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

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

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

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

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

- (b) On 16 July 2010, CIMB, on behalf of the Bank, announce that the Bank had received a letter dated 12 July 2010 from EON Cap requesting certain amendments to the terms of the Offer by HLB to acquire the entire assets and liabilities of EON Cap and the timelines as indicated in HLB's letters dated 18 June 2010 and 19 June 2010.

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

- (i) The Bank agrees to EON Cap's proposal that EON Cap may only accept the Offer by delivering to the Bank the acceptance as set out in the Bank's letter of Offer dated 1 April 2010, duly signed by EON Cap no later than 5 business days immediately following the date after the last of the approvals for the Offer;
- (ii) The Bank agrees that the extraordinary general meeting of EON Cap to approve the Proposed Acquisition based on the offer price of RM5,060,423,744 shall be held by 20 August 2010, and all the approvals from BNM/Ministry of Finance (MoF), Securities Commissions (SC) and shareholders of EON Cap and HLB, on terms and conditions acceptable to HLB, are obtained and the acceptance of the Offer by EON Cap is given by 30 November 2010; and
- (iii) the Offer is subject to all the timelines mentioned in (i) and/or (ii) above being met, unless extended by the Bank.

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

46 SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR (continued)

- (c) On 3 August 2010, CIMB, on behalf of HLB, announced that HLB had received the approval of the Minister of Finance ("MoF") through Bank Negara Malaysia ("BNM") for, inter alia, the following:
- (i) Approval under Section 45(1)(a) of the Banking and Financial Institutions Act, 1989 ("BAFIA") for HLB to acquire interest in shares of more than 5% of the shares in EON Bank Berhad ("EON Bank") and MIMB Investment Bank Berhad ("MIMB");
 - (ii) Approval under Section 49(7) of BAFIA for HLB to enter into an agreement or arrangement with EON Cap which would result in a change in control of EON Bank and MIMB to HLB as provided under Section 49(1)(a) of BAFIA;
 - (iii) Approval under Section 22(2) of the Islamic Banking Act, 1993 ("IBA") for HLB to enter into an agreement or arrangement with EON Cap which would result in a disposal of EONCAP Islamic Bank Berhad ("EONCAP Islamic") shares to HLB as provided under Section 22(1)(a)(i) of IBA;
 - (iv) Approval under Section 49(7) of BAFIA for HLB to enter into an agreement or arrangement with EON Bank which would result in the transfer of the banking operations of EON Bank to HLB as provided under Section 49(1)(b) of BAFIA; and
 - (v) Approval under Section 22(2) of IBA for Hong Leong Islamic Bank Berhad ("HLISB") to enter into an agreement or arrangement with EONCAP Islamic which would result in the transfer of the banking operations of EONCAP Islamic to HLISB as provided under Section 22(1)(a)(i) of IBA.

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

- (d) On 3 August 2010, HLB announced that it had on 3 August 2010 fully redeemed its US\$200,000,000 Subordinated Callable Bonds Due 2015 ("Bonds"). The Bonds has been delisted from the Official Listing of the Singapore Exchange Securities Trading Limited following the redemption.

The redemption of the Bonds was funded via HLB's internally generated funds pending the issuance of its Ringgit Tier 2 Subordinated Debt of RM700 million.

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

The Sub Debt, rated AA2 by RAM Rating Services Berhad, has a maturity of 10 years. Subject to BNM's approval, HLB has the option to redeem the Sub Debt early at the end of year 5 and on each subsequent coupon payment dates thereafter.

47 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.

Notes to the Financial Statements

for the financial year ended 30 June 2010
(continued)

47 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Integrated Risk Management ("IRM") (continued)

Giving due prominence to risk management, a Board Risk Management Committee ("BRMC") comprising three members of 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".

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 scoring system in credit cards to improve the Bank's ability to control credit losses within predictive ranges and achieve a well-balanced portfolio. The Bank has also completed the development of a behavioural scorecard and it is currently being implemented for credit cards. 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, which are compared against preset limits. The daily tracking of positions is supplemented by sensitivity analysis and stress tests, using VaR 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.

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

47 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk Management (continued)

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.

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.

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

48 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.

	The Group 2010							
	Non – trading book						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	1 – 3 months RM'000	3 to 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	14,946,188	-	-	-	-	735,898	-	15,682,086
Deposits and placements with banks and other financial institutions	-	5,756,887	1,687,847	25,825	-	-	-	7,470,559
Securities held at fair value through profit or loss							8,836,753	8,836,753
Available-for-sale securities	139,216	406,263	146,292	3,192,522	452,827	91,650 *	-	4,428,770
Held-to-maturity securities	584,875	735,699	484,542	4,807,539	-	28,348	-	6,641,003
Loans, advances and financing								
- performing	32,125,258	25,085	324,176	3,171,795	2,229,346	(571,054) ^	-	37,304,606
- non performing	-	-	-	-	-	444,464 ^	-	444,464
Other assets	-	-	-	-	-	1,718,603	-	1,718,603
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	394,000	-	394,000
Investment in associated company	-	-	-	-	-	1,172,175	-	1,172,175
Investment in jointly controlled entity	-	-	-	-	-	76,023	-	76,023
Prepaid lease payments	-	-	-	-	-	14,139	-	14,139
Property and equipment	-	-	-	-	-	332,845	-	332,845
Intangible assets	-	-	-	-	-	49,410	-	49,410
Deferred tax assets	-	-	-	-	-	140,137	-	140,137
Total assets	47,795,537	6,923,934	2,642,857	11,197,681	2,682,173	4,626,638	8,836,753	84,705,573
Liabilities								
Deposits from customers	35,585,108	8,716,843	15,951,132	1,659,228	-	7,800,381	-	69,712,692
Deposits and placements of banks and other financial institutions	2,117,003	1,683,295	69,352	-	-	6,753	-	3,876,403
Bills and acceptances payable	2,510	15,592	7,112	-	-	278,926	-	304,140
Other liabilities	-	-	-	-	-	3,664,921	-	3,664,921
Subordinated obligations	-	-	-	650,454	-	-	-	650,454
Provision for taxation	-	-	-	-	-	72,940	-	72,940
Total liabilities	37,704,621	10,415,730	16,027,596	2,309,682	-	11,823,921	-	78,281,550
Total interest rate sensitivity gap	10,090,916	(3,491,796)	(13,384,739)	8,887,999	2,682,173			

* Allowance for impairment on available-for-sale securities is included under non-interest sensitive component.

^ Includes specific allowances and general allowances amounting to RM853,325,000.

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for the financial year ended 30 June 2010
(continued)

48 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

A Interest/profit rate risk (continued)

	The Group 2009							
	Non – trading book						Trading book	Total
	Up to 1 month RM'000	1 – 3 months RM'000	3 to 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Non- interest/ profit rate sensitive RM'000	RM'000	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	-	-	-	-	-	1,125,535	-	1,125,535
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	4,017,243	7,058,396	79,331,915
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 2010

(continued)

48 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

A Interest/profit rate risk (continued)

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

* Allowance for impairment on available-for-sale securities is included under non-interest sensitive component.

^ Includes specific allowances and general allowances amounting to RM764,411,000.

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for the financial year ended 30 June 2010
(continued)

48 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

A Interest/profit rate risk (continued)

	The Bank 2009							
	Non – trading book					Non- interest/ profit rate sensitive	Trading book	Total
	Up to 1 month RM'000	1 – 3 months RM'000	3 to 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	RM'000	RM'000	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	-	-	-	-	-	1,140,993	-	1,140,993
Amount due from subsidiaries	-	-	-	-	-	263,760	-	263,760
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	322,500	-	322,500
Investment in subsidiary companies	-	-	-	-	-	575,746	-	575,746
Investment in associated company	-	-	-	-	-	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	4,222,234	5,095,423	70,659,886
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 2010

(continued)

48 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				
	2010		2009	
	RM %	USD %	RM %	USD %
Financial assets				
Cash and short term funds	2.3	0.9	2.1	1.4
Deposits and placements with banks and other financial institutions	2.3	0.9	2.1	1.4
Securities held at fair value through profit and loss	3.6	2.2	3.0	-
Available-for-sale securities	4.0	2.0	3.5	3.3
Held-to-maturity securities	3.4	-	3.0	-
Loans, advances and financing	5.9	1.1	6.0	1.5
Financial liabilities				
Deposits from customers	2.0	13.6	2.1	5.2
Deposits and placements of banks and other financial institutions	1.7	0.5	1.3	0.5
Bills and acceptance payable	2.7	-	1.8	-
Subordinated obligations	-	5.3	-	5.2

The Bank				
	2010		2009	
	RM %	USD %	RM %	USD %
Financial assets				
Cash and short term funds	2.6	0.9	2.1	1.4
Deposits and placements with banks and other financial institutions	2.6	0.9	2.1	1.4
Securities held at fair value through profit and loss	3.7	2.2	3.3	-
Available-for-sale securities	4.0	2.0	3.5	3.3
Held-to-maturity securities	3.3	-	3.0	-
Loans, advances and financing	5.9	1.1	6.1	1.5
Financial liabilities				
Deposits from customers	1.9	13.6	2.1	5.2
Deposits and placements of banks and other financial institutions	1.2	0.5	1.3	0.5
Bills and acceptance payable	2.7	-	2.1	-
Subordinated obligations	-	5.3	-	5.2

Notes to the Financial Statements

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(continued)

48 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

B Credit risk

	The Group 2010									
	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	-	-	10,076	-	716,184	-	-	726,260	130,938	395,856
Mining and quarrying	-	6,790	-	-	81,482	-	-	88,272	10,386	20,888
Manufacturing	-	-	17,300	289	3,689,492	-	-	3,707,081	445,375	2,837,331
Electricity, gas and water	-	-	5,005	35,757	104,930	-	-	145,692	-	88,319
Construction	-	10,355	5,115	480	626,104	-	-	642,054	-	449,750
Wholesale and retail	-	-	1,796	72,061	3,235,264	-	-	3,309,121	2,266	2,929,415
Transport, storage and communications	-	6,664	-	18,144	343,811	-	-	368,619	1,070	205,538
Finance, insurance, real estate and business services	10,875,884	6,321,568	496,804	1,827,180	3,045,746	27,352	-	22,594,534	76,316,254	2,020,101
Government and government Agencies	12,276,761	2,491,376	3,802,821	4,659,513	-	145,804	394,000	23,770,275	-	-
Education, health and others	-	-	-	-	305,536	-	-	305,536	-	88,457
Consumption credit	-	-	-	-	25,644,488	-	-	25,644,488	-	12,763,801
Others	-	-	-	-	487,130	-	-	487,130	139,201	314,304
	23,152,645	8,836,753	4,338,917	6,613,424	38,280,167	173,156	394,000	81,789,062	77,045,490	22,113,760

* Excludes equity instruments amounting to RM89,853,000.

[^] 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 RM577,822,000 and RM46,725,000 respectively.

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

48 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

B Credit risk (continued)

The Group 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	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	3,064,309	-	-	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	-	-
Household	-	-	-	-	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 amounting to RM3,537,000.
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 2010

(continued)

48 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

B Credit risk (continued)

	The Bank 2010							
	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
Agriculture	-	-	10,076	-	573,849	-	-	583,925
Mining and quarrying	-	6,790	-	-	78,744	-	-	85,534
Manufacturing	-	-	17,300	289	3,468,624	-	-	3,486,213
Electricity, gas and water	-	-	-	35,757	51,140	-	-	86,897
Construction	-	10,355	5,115	480	563,732	-	-	579,682
Wholesale and retail	-	-	1,796	72,061	3,076,391	-	-	3,150,248
Transport, storage and communications	-	6,664	-	18,144	309,212	-	-	334,020
Finance, insurance, real estate and business services	10,058,259	4,753,219	471,466	1,827,180	2,903,561	24,174	-	20,037,859
Government and government agencies	10,874,652	1,926,196	3,263,761	5,061,696	-	130,256	347,000	21,603,561
Education, health and other	-	-	-	-	269,299	-	-	269,299
Household	-	-	-	-	22,300,693	-	-	22,300,693
Others	-	-	-	-	480,028	-	-	480,028
	20,932,911	6,703,224	3,769,514	7,015,607	34,075,273	154,430	347,000	72,997,959
								80,147,367
								20,645,343

* Excludes equity instruments amounting to RM89,853,000.

[^] 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 RM511,615,000 and RM25,435,000 respectively.

Notes to the Financial Statements

for the financial year ended 30 June 2010
(continued)

48 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 RM37,099,000 respectively.

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

49 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 2010

(continued)

49 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, investment in jointly controlled entity, 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				
On-balance sheet items	2010		2009	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets:				
Loans, advances and financing [#]	37,749,070	37,376,764	34,795,414	34,790,555
The Bank				
On-balance sheet items	2010		2009	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets:				
Loans, advances and financing [#]	33,589,093	33,242,963	30,938,086	30,891,791

[#] 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 financial 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.

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for the financial year ended 30 June 2010

(continued)

50 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) 200,000 share options at an exercise price of RM7.49.

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 2010
(continued)

50 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			
	2010		2009	
	Number of trust shares held '000	Market value RM'000	Number of trust shares held '000	Market value RM'000
As at end of the financial year	47,915	411,111	50,000	285,000

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 2010

Grant date	Expiry date	As at 1-Jul-09	Lapse/cessation	Exercised	As at 30-Jun-10
29 August 2007	August 2010*	1,200,000	-	(1,140,000)	60,000
29 August 2007	August 2011*	1,400,000	-	-	1,400,000
29 August 2007	August 2012*	1,400,000	-	-	1,400,000
		4,000,000	-	(1,140,000)	2,860,000

30 June 2009

Grant date	Expiry date	As at 1-Jul-08	Lapse/cessation	Exercised	As at 30-Jun-09
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

* 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 (2009: RM 0.87 to RM 1.01 per option). 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 2010 had an exercise price of RM5.72 and a weighted average remaining contractual life (from grant date to the end of exercise period) of 3 years.

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

50 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 2010

Grant date	Expiry date	As at 1-Jul-09	Lapse/ cessation	Exercised	As at 30-Jun-10
30 April 2008	October 2010*	2,616,000	(1,200,000)	(554,000)	862,000
30 April 2008	October 2011^	2,616,000	(1,200,000)	-	1,416,000
30 April 2008	October 2012#	1,308,000	(600,000)	-	708,000
30 April 2008	January 2012*	6,104,000	(224,000)	-	5,880,000
30 April 2008	January 2013^	6,104,000	(224,000)	-	5,880,000
30 April 2008	January 2014#	3,052,000	(112,000)	-	2,940,000
		21,800,000	(3,560,000)	(554,000)	17,686,000

30 June 2009

Grant date	Expiry date	As at 1-Jul-08	Lapse/ cessation	Exercised	As at 30-Jun-09
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 (2009: RM 0.73 to RM 1.15 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 2010

(continued)

50 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 2010

Grant date	Expiry date	As at 1-Jul-09	Lapse/ cessation	Exercised	As at 30-Jun-10
10 June 2008	October 2010*	1,254,600	(672,120)	(376,600)	205,880
10 June 2008	October 2011^	1,254,600	(672,120)	-	582,480
10 June 2008	October 2012#	627,300	(336,060)	-	291,240
10 June 2008	January 2012*	2,927,400	(350,000)	-	2,577,400
10 June 2008	January 2013^	2,927,400	(350,000)	-	2,577,400
10 June 2008	January 2014#	1,463,700	(175,000)	-	1,288,700
		10,455,000	(2,555,300)	(376,600)	7,523,100

30 June 2009

Grant date	Expiry date	As at 1-Jul-08	Lapse/ cessation	Exercised	As at 30-Jun-09
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 (RM 0.65 to RM 1.08 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%.

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

50 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Option Scheme ("ESOS" or "Scheme") (continued)

(d) 200,000 shares options at an exercise price of RM7.49:

30 June 2010

Grant date	Expiry date	As at 1-Jul-09	Granted	Lapse/ cessation	Exercised	As at 30-Jun-10
2 April 2010	October 2010*	-	24,000	(9,600)	(14,400)	-
2 April 2010	October 2011^	-	24,000	(9,600)	-	14,400
2 April 2010	October 2012#	-	12,000	(4,800)	-	7,200
2 April 2010	January 2012*	-	56,000	-	-	56,000
2 April 2010	January 2013^	-	56,000	-	-	56,000
2 April 2010	January 2014#	-	28,000	-	-	28,000
		-	200,000	(24,000)	(14,400)	161,600

* 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 RM7.49, exercise price of RM7.49, expected volatility of 18.8%, expected yield of 4% and a risk free interest rate of 4%.

51 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.

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

51 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

(b) Provision for incurred but not reported ("IBNR") claims (continued)

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.

52 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 29 July 2010.

53 PRIOR YEAR ADJUSTMENTS

During the financial year, the Bank has made a major enhancement to the general ledger system from a single currency to a multi currency general ledger. Arising from the system enhancement, the Bank noted differences in respect of revaluation of foreign currency balances. These differences arose from transactions that occurred before financial year ended 30 June 2009. Whilst the differences were not material to the current and prior financial year results, the Bank has effected a prior year adjustment in accordance with FRS 108 - Accounting Policies, Changes in Accounting Estimates and Errors.

Notes to the Financial Statements

for the financial year ended 30 June 2010

(continued)

53 PRIOR YEAR ADJUSTMENTS (continued)

These differences do not affect the Group's and the Bank's financial statements for the financial year ended 30 June 2009 and 30 June 2010. The following are adjustments that have been made to each line item in the Group's and the Bank's balance sheet and equity as at 30 June 2008 and 30 June 2009:

	The Group			The Bank		
	As previously reported RM'000	Effects from prior year adjustment RM'000	As restated RM'000	As previously reported RM'000	Effects from prior year adjustment RM'000	As restated RM'000
As at 30 June 2009						
Balance sheet						
Other assets	1,198,162	(72,627)	1,125,535	1,213,620	(72,627)	1,140,993
As at 30 June 2009						
Statement of changes in equity						
Retained profits	2,428,953	(72,627)	2,356,326	2,136,060	(72,627)	2,063,433
As at 30 June 2008						
Statement of changes in equity						
Retained profits	1,821,618	(72,627)	1,748,991	1,737,205	(72,627)	1,664,578

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 65 to 175 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 2010 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
8 September 2010

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 65 to 175 are to the best of my knowledge and belief, 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)
8 September 2010)

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 2010 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 65 to 175.

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 2010 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 12 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

(Incorporated in Malaysia) (Company no: 97141-X)

(continued)

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

MOHAMMAD FAIZ BIN MOHAMMAD AZMI

No.2025/03/12 (J)

Chartered Accountant

Kuala Lumpur

8 September 2010

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 30 AUGUST 2010

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)	: RM1,499,012,334
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 30 August 2010

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	290	2.37	8,626	0.00
100 – 1,000	2,982	24.32	2,579,852	0.17
1,001 – 10,000	7,590	61.91	26,971,659	1.80
10,001 – 100,000	1,158	9.45	34,532,616	2.30
100,001 – less than 5% of issued shares	237	1.93	292,542,137	19.52
5% and above of issued shares	3	0.02	1,142,377,444	76.21
	12,260	100.00	1,499,012,334	100.00

List of Thirty Largest Shareholders as at 30 August 2010

Name 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	190,803,944	12.73
3. Hong Leong Financial Group Berhad	122,833,332	8.19
4. AmTrustee Berhad - Exempt AN for Hong Leong Bank Berhad (ESOS)	47,717,360	3.18
5. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad	35,976,200	2.40
6. Valuecap Sdn Bhd	12,795,700	0.85
7. Low Poh Weng	11,150,000	0.74
8. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for The Bank Of New York Mellon (Mellon Acct)	9,391,000	0.63
9. HLG Nominee (Tempatan) Sdn Bhd - Hong Leong Equities Sdn Bhd	9,334,500	0.62
10. Pertubuhan Keselamatan Sosial	8,781,900	0.59

Other Information

(continued)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2010 (continued)

List of Thirty Largest Shareholders as at 30 August 2010 (continued)

Name of Shareholders	No. of Shares	%
11. Cartaban Nominees (Asing) Sdn Bhd - <i>Exempt AN for State Street Bank & Trust Company</i>	7,432,450	0.50
12. Cimsec Nominees (Tempatan) Sdn Bhd - <i>Rakaman Anggun Sdn Bhd</i>	7,279,500	0.48
13. HSBC Nominees (Asing) Sdn Bhd - <i>Vanguard Emerging Markets Stock Index Fund</i>	6,718,466	0.45
14. Citigroup Nominees (Tempatan) Sdn Bhd - <i>Exempt AN for Prudential Fund Management Berhad</i>	5,226,900	0.35
15. HLG Nominee (Tempatan) Sdn Bhd - <i>Chew Brothers Development Corporation Sdn Bhd</i>	4,659,385	0.31
16. HSBC Nominees (Asing) Sdn Bhd - <i>The Bank OF Nova Scotia</i>	4,475,500	0.30
17. Cartaban Nominees (Asing) Sdn Bhd - <i>Exempt AN for Barclays Capital Securities Ltd</i>	4,069,200	0.27
18. AM Nominees (Tempatan) Sdn Bhd - <i>Employees Provident Fund Board</i>	4,012,500	0.27
19. HSBC Nominees (Asing) Sdn Bhd - <i>Exempt AN for JPMorgan Chase Bank, National Association (U.A.E.)</i>	3,988,060	0.27
20. Cartaban Nominees (Asing) Sdn Bhd - <i>Exempt AN for Royal Bank Of Canada (Asia) Limited - Clients A/C</i>	3,935,000	0.26
21. Mayban Nominees (Tempatan) Sdn Bhd - <i>The Employees' Provident Fund Board</i>	2,900,000	0.19
22. Cartaban Nominees (Asing) Sdn Bhd - <i>Government Of Singapore</i>	2,823,000	0.19
23. HSBC Nominees (Tempatan) Sdn Bhd - <i>Employees Provident Fund</i>	2,500,000	0.17
24. Pakar Indra Sdn Bhd	2,415,500	0.16
25. Cartaban Nominees (Asing) Sdn Bhd - <i>Teacher Retirement System Of Texas</i>	2,404,670	0.16
26. Mayban Nominees (Tempatan) Sdn Bhd - <i>Kumpulan Wang Persaraan (Diperbadankan)</i>	2,400,000	0.16
27. Mayban Nominees (Tempatan) Sdn Bhd - <i>Employees Provident Fund</i>	2,363,000	0.16
28. HSBC Nominees (Asing) Sdn Bhd - <i>Exempt AN for BNP Paribas Securities Services (Jersey GBP)</i>	2,350,000	0.16
29. HLG Nominee (Asing) Sdn Bhd - <i>Asia Fountain Investment Company Limited</i>	2,200,000	0.15
30. HSBC Nominees (Asing) Sdn Bhd - <i>Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)</i>	2,155,900	0.14
	1,353,833,135	90.32

Other Information

(continued)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2010 (continued)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Bank as at 30 August 2010 are as follows:-

Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
Hong Leong Financial Group Berhad	951,573,500	63.48	11,831,600	0.79 ^(a)
Hong Leong Company (Malaysia) Berhad	-	-	967,599,600	64.55 ^(a)
HL Holdings Sdn Bhd	-	-	967,599,600	64.55 ^(b)
Tan Sri Quek Leng Chan	-	-	967,739,600	64.56 ^(c)
Hong Realty (Private) Limited	-	-	967,699,600	64.56 ^(c)
Hong Leong Investment Holdings Pte Ltd	-	-	967,699,600	64.56 ^(c)
Kwek Holdings Pte Ltd	-	-	967,699,600	64.56 ^(c)
Kwek Leng Beng	-	-	967,699,600	64.56 ^(c)
Davos Investment Holdings Private Limited	-	-	967,699,600	64.56 ^(c)
Kwek Leng Kee	202,500	0.01	967,699,600	64.56 ^(c)
Quek Leng Chye	-	-	967,699,600	64.56 ^(c)
Guoco Assets Sdn Bhd	-	-	963,405,100	64.27 ^(d)
GuoLine Overseas Limited	-	-	965,605,100	64.42 ^(e)
Guoco Group Limited	-	-	965,605,100	64.42 ^(e)
GuoLine Capital Assets Limited	-	-	967,599,600	64.55 ^(e)
Employees Provident Fund Board	192,303,944	12.83	11,842,700	0.79 ^(f)

Notes:

^(a) Held through subsidiaries

^(b) Held through Hong Leong Company (Malaysia) Berhad ("HLCM")

^(c) Held through HLCM and company(ies) in which the substantial shareholder has interest

^(d) Held through Hong Leong Financial Group Berhad ("HLFG")

^(e) Held through subsidiary(ies) and HLFG

^(f) Held through fund managers, i.e. Aberdeen Asset Management Sdn Bhd, AmlInvestment Management Sdn Bhd, Hwang DBS Investment Management Bhd, Nomura Asset Management Malaysia Sdn Bhd, BNP Paribas Asset Management Malaysia Sdn Bhd and Franklin Templeton Asset Management (Malaysia) Sdn Bhd, as registered holders

Other Information

(continued)

3. DIRECTORS' INTERESTS AS AT 30 AUGUST 2010

Subsequent to the financial year end, there is no change, as at 30 August 2010, to the Directors' interests in the ordinary shares, preference share and/or options over ordinary shares and convertible bonds of the Bank and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 58 to 61 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/preference shares/* shares issued or to be issued or acquired arising from the exercise of options/convertible bonds	%
Deemed Interest		
YBhg Tan Sri Quek Leng Chan in:		
GuocoLeisure Limited	908,175,425	66.38
Hong Leong Industries Berhad	198,585,237 @@	72.82 @@
Bondway Properties Limited (In members' voluntary liquidation)	Nil #	Nil #
Direct Interest		
Ms Yvonne Chia in:		
Hong Leong Bank Berhad	340,000	0.02
	5,840,000 *	-

@@ Inclusive of shares held by children who are not directors of the Company

Dissolved by members' voluntary liquidation

4. SHARE BUY BACK SCHEDULE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Month	No of shares bought back	Lowest price paid RM	Highest price paid RM	Average price paid RM	Total consideration (including transaction cost) RM
July 2009	-	-	-	-	-
August 2009	-	-	-	-	-
September 2009	-	-	-	-	-
October 2009	-	-	-	-	-
November 2009	1,000	8.19	8.19	8.19	8,241.46
December 2009	-	-	-	-	-
January 2010	-	-	-	-	-
February 2010	-	-	-	-	-
March 2010	-	-	-	-	-
April 2010	1,000	8.74	8.74	8.74	8,791.63
May 2010	-	-	-	-	-
June 2010	-	-	-	-	-

Other Information

(continued)

5 LIST OF PROPERTIES

	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	76	7,490	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	11	2,526	26/06/1997
3	42, Jalan Pending 93450 Kuching Sarawak	Leasehold - 999 years (31/12/2779)	Branch premises	4,425	28	2,081	27/12/1983
4	133, 135 & 137 Jalan Kampong Nyabor 96000 Sibul Sarawak	Freehold	Branch premises	4,871	18	3,105	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	19	1,505	29/06/1996
7	69, 70 & 71, Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus	Freehold	Branch premises	6,000	Pre-war	1,356	27/12/1994
8	26, Lorong Rahim Kajai 14 Taman Tun Dr Ismail 60000 Kuala Lumpur	Freehold	Branch premises	3,750	24	546	30/12/1986
9	120-122, Jalan Mersing 86000 Kluang Johor Darul Takzim	Leasehold - 99 years (22/8/2063)	Branch premises	3,355	44	681	31/05/1990
10	100, Jalan Gurney 72100 Bahau Negeri Sembilan Darul Khusus	Freehold	Branch premises	5,107	24	2,449	25/06/1992
11	12, 14 & 16, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	4,174	19	3,788	25/06/1992
12	6, Jalan Merdeka 96100 Sarikei Sarawak	Leasehold - 60 years (31/12/2029)	Branch premises	2,240	41	97	18/10/1969

Other Information

(continued)

5 LIST OF PROPERTIES (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	34	31/12/1967
14	63 & 65, Jalan SS 23/15 47400 Petaling Jaya Selangor Darul Ehsan	Freehold	Branch premises	4,760	15	3,824	28/04/1997
15	24, Medan Taming 2 Taman Taming Jaya 43300 Balakong Selangor Darul Ehsan	Freehold	Branch premises	3,037	14	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	23	1,206	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	16	216	26/06/1997
18	Lot 3073 & 3074 Jalan Abang Galau 97000 Bintulu, Sarawak	Leasehold - 60 years (12/2/2056)	Branch premises	2,582	13	1,230	26/06/1997
19	Lot 34, Putra Industrial Park 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Warehouse	96,219	14	2,625	26/01/1995
20	1540, Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman	Leasehold - 55 years (28/2/2028)	Branch premises	10,619	35	49	30/06/1977
21	9A & 9B, Jalan Kampong Baru 08000 Sungai Petani Kedah Darul Aman	Freehold	Branch premises	9,320	17	900	01/01/1994
22	45, Jalan Burma 10500 Pulau Pinang	Freehold	Branch premises	14,277	32	2,153	24/11/1978
23	33A-C, Lintang Angsana Bandar Baru Air Hitam 11500 Pulau Pinang	Leasehold - 83 years (8/4/2082)	Branch premises	4,394	15	511	26/12/1995
24	55-57, Jalan Yang Kalsom 30250 Ipoh Perak Darul Ridzuan	Freehold	Branch premises	11,720	31	1,136	01/10/1984
25	27, Jalan Dewangsa 31000 Batu Gajah Perak Darul Ridzuan	Leasehold - 79 years (26/2/2078)	Branch premises	4,694	15	284	24/11/1995

Other Information

(continued)

5 LIST OF PROPERTIES (continued)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
26	75, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan	Freehold	Branch premises	1,900	13	621	15/06/1998
27	80 & 82, Jalan Othman 1/14 46000 Petaling Jaya Selangor Darul Ehsan	Leasehold - 90 years (15/6/2089)	Branch premises	9,062	20	1,243	01/06/1994
28	36, Jalan Midah 1 Taman Midah, Cheras 56000 Kuala Lumpur	Freehold	Branch premises	2,700	23	209	30/11/1984
29	19, Jalan 54, Desa Jaya 52100 Kepong Selangor Darul Ehsan	Leasehold - 99 years (8/3/2081)	Branch premises	5,859	28	360	29/11/1985
30	55, Jalan Pasar 55100 Kuala Lumpur	Freehold	Branch premises	4,313	30	325	01/04/1980
31	Lot 111, Jalan Mega Mendung Kompleks Bandar Off Jalan Klang Lama 58200 Kuala Lumpur	Leasehold - 99 years (11/10/2076)	Branch premises	4,978	30	491	31/07/1988
32	161, Jalan Imbi 55100 Kuala Lumpur	Freehold	Branch premises	2,454	14	2,551	14/02/1996
33	8A-C, Jalan Station 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	12,854	17	465	22/10/1977
34	109, Main Road 83700 Yong Peng Johor Darul Takzim	Freehold	Branch premises	2,740	22	211	01/09/1988
35	31 & 32, Jalan Kundang Taman Bukit Pasir 83000 Batu Pahat Johor Darul Takzim	Freehold	Branch premises	8,932	18	512	05/03/1996
36	103, Jalan Rahmat 83000 Batu Pahat Johor Darul Takzim	Freehold	Vacant	12,222	36	635	30/06/1977
37	26 & 28, Jalan Mersing 80050 Johor Bahru Johor Darul Takzim	Freehold	Vacant	7,040	26	1,344	22/05/1995
38	21, Jalan Tun Razak 27600 Raub Pahang Darul Makmur	Freehold	Branch premises	4,480	24	423	26/06/1986
39	1, Bentong Heights 28700 Bentong Pahang Darul Makmur	Freehold	Branch premises	5,432	42	38	30/06/1977

Other Information

(continued)

5 LIST OF PROPERTIES (continued)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
40	36, Main Road Tanah Rata 39000 Cameron Highland Pahang Darul Makmur	Leasehold - 99 years (24/11/2039)	Branch premises	1,728	70	141	30/08/1982
41	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	11	1,907	18/12/1999
42	2828-G-02 & 2828-1-02 Jalan Bagan Luar 12000 Butterworth Pulau Pinang	Freehold	Branch premises	12,173	11	3,258	18/12/1999
43	Lots 568-G-17 & 568-1-17 Kompleks Mutiara 3 1/2 Mile Jalan Ipoh 51200 Kuala Lumpur	Freehold	Branch premises	4,945	11	3,330	23/11/1999
44	Plot No 20, Jalan Bidor Raya 35500 Bidor Perak Darul Ridzuan	Freehold	Branch premises	3,243	11	556	23/11/1999
45	1, Persiaran Greentown 2 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan	Leasehold - 99 years (21/11/2094)	Branch premises	7,870	10	1,917	23/11/1999
46	Lots 39 & 40 Kompleks Munshi Abdullah 75100 Melaka	Leasehold - 99 years (24/2/2084)	Branch premises	5,988	11	1,467	31/05/1991
47	No. 1 & 2 Jalan Raya 09800 Serdang Kedah Darul Aman	Freehold	Branch premises	5,840	9	422	20/09/2000
48	133 & 135, Jalan Gopeng 31900 Kampar Perak Darul Ridzuan	Freehold	Branch premises	4,700	9	340	13/12/2000
49	65-67, Jalan Tun HS Lee 50000 Kuala Lumpur	Freehold	Vacant	2,223	14	4,996	14/10/1996
50	34, Jalan Yong Shook Lin 46200 Petaling Jaya Selangor Darul Ehsan	Leasehold - 99 years (09/09/2059)	Branch premises	1,875	17	539	26/11/1993
51	64, Jalan Tun Mustapha 87007 Labuan	Leasehold - 999 years (31/12/2775)	Branch premises	1,370	19	634	30/05/1991
52	159, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	5	2,608	25/11/2005

Other Information

(continued)

5 LIST OF PROPERTIES (continued)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
53	163, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	5	2,672	25/10/2005
54	1, Jalan Ambong Kiri Satu (Jalan 7) Kepong Baru 52100 Kuala Lumpur	Freehold	Vacant	13,300	4	3,846	18/10/2005
55	114 & 116, Jalan Cerdas Taman Connaught 56000 Kuala Lumpur	Leasehold - 99 years (16/10/2078)	Branch premises	12,200	4	4,110	07/06/2006
56	Lot A08-A09 Jalan SS 6/5A Dataran Glomac Pusat Bandar Kelana Jaya 47301 Petaling Jaya	Freehold	Branch premises	9,800	4	3,215	06/07/2006
57	No. 2 Jalan Puteri 2/4 Bandar Puteri Puchong 47100 Selangor Darul Ehsan	Freehold	Branch premises	11,850	3	1	26/06/2007
58	Tower A PJ City Development 46100 Petaling Jaya Selangor	Leasehold - 99 years (14/08/2094)	Branch premises	194,489	2	76,372	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. No. 47 & 48, Jalan Chow Kit
50350 Kuala Lumpur
Tel : 03-4043 7397
Fax : 03-4043 1914
4. Level 1
Wisma Hong Leong
18, Jalan Perak
50450 Kuala Lumpur
Tel : 03-2164 2828
Fax : 03-2164 1511
5. No. 110, Jalan Tun Sambanthan
50470 Kuala Lumpur
Tel : 03-2274 1081
Fax : 03-2273 6995
6. No. 2, Jalan 22A/70A
Desa Sri Hartamas
50480 Kuala Lumpur
Tel : 03-6201 3749
Fax : 03-6201 4034
7. Lot G-03, Ground Floor
Wisma Perintis
Jalan Dungun
Damansara Heights
50490 Kuala Lumpur
Tel : 03-2094 0069
Fax : 03-2093 9054
8. 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
9. 471 & 473, Batu 3
Jalan Ipoh, 51200 Kuala Lumpur
Tel : 03-4044 3151
Fax : 03-4044 4606
10. 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
11. 1, Jalan Ambong Kiri Dua
Kepong Baru
52100 Kuala Lumpur
Tel : 03-6257 1022
Fax : 03-6251 9717
12. No. 266 & 267, Jalan Bandar 12
Taman Melawati
53100 Kuala Lumpur
Tel : 03-4106 9391
Fax : 03-4107 0152
13. 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
14. No. 2, Jalan Rampai Niaga 1
Rampai Business Park
Taman Sri Rampai
53300 Kuala Lumpur
Tel : 03-4143 2639
Fax : 03-4149 0148
15. Lot G-06
Wisma Bukit Bintang
No. 28, Jalan Bukit Bintang
55100 Kuala Lumpur
Tel : 03-2142 9943
Fax : 03-2144 4802
16. 147, Jalan Imbi
55100 Kuala Lumpur
Tel : 03-2141 1402
Fax : 03-2141 1429
17. 180-0-7 & 180-0-8
Wisma Mahkota,
Taman Maluri Cheras,
55100 Kuala Lumpur
Tel : 03-9282 1507
Fax : 03-9282 1549
18. No. 23GM & 25GM
Jalan Pandan Indah 4/8
55100 Kuala Lumpur
Tel : 03-4280 0879
Fax : 03-4297 2258
19. 55 - 57 Jalan Pasar
55100 Kuala Lumpur
Tel : 03-9223 5249
Fax : 03-9223 0527
20. No.6 Jalan Kenanga
55200 Kuala Lumpur
Tel : 03-9222 1499
Fax : 03-9222 1507
21. No.1-GM Jalan Perdana 4/6
Pandan Perdana
55300 Kuala Lumpur
Tel : 03-9287 7369
Fax : 03-9287 7630
22. 36, Jalan Midah 1
Taman Midah, Cheras
56000 Kuala Lumpur
Tel : 03-9130 8912
Fax : 03-9131 0433
23. No. 114 & 116, Jalan Cerdas
Taman Connaught, Cheras
56000 Kuala Lumpur
Tel : 03-9102 1501
Fax : 03-9102 1497
24. No. 50, Jalan Manis 1
Taman Segar, Cheras
56100 Kuala Lumpur
Tel : 03-9133 2924
Fax : 03-9132 1370
25. No. 71 & 73
Jalan Radin Tengah, Zone J 4
Bandar Baru Seri Petaling
57000 Kuala Lumpur
Tel : 03-9058 2349
Fax : 03-9057 8041
26. A54 Jalan Tuanku Empat
Salak South Garden
Off Jalan Sungei Besi
57100 Kuala Lumpur
Tel : 03-7982 9157
Fax : 03-7982 9210

Network of Branches

(continued)

- | | | |
|---|---|---|
| <p>27. 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</p> <p>28. No. 31 & 33, Jalan 1/116B
Kuchai Entrepreneurs Park
Off Jalan Kuchai Lama
58200 Kuala Lumpur
Tel : 03-7982 6462
Fax : 03-7980 9324</p> <p>29. 111, Jalan Mega Mendung
Kompleks Bandar
Off Jalan Kelang Lama
58200 Kuala Lumpur
Tel : 03-7981 4251
Fax : 03-7982 7811</p> <p>30. 30-34, Jalan Awan Hijau
Oversea Union Garden
Jalan Kelang Lama
58200 Kuala Lumpur
Tel : 03-7983 6612
Fax : 03-7981 7324</p> <p>31. 26, Persiaran Ara Kiri
Lucky Garden, Bangsar
59100 Kuala Lumpur
Tel : 03-2093 8430
Fax : 03-2094 3745</p> <p>32. No. 37, Jalan Telawi 3
Bangsar Baru
59100 Kuala Lumpur
Tel : 03-2284 3709
Fax : 03-2284 3349</p> <p>33. 26, Lorong Rahim Kajai 14
Taman Tun Dr Ismail
60000 Kuala Lumpur
Tel : 03-7729 3719
Fax : 03-7728 6312</p> <p>34. 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</p> | <p>SELANGOR DARUL EHSAN</p> <p>35. No 91, Lorong Memanda 1
Ampang Point
68000 Ampang
Tel : 03-4252 3411
Fax : 03-4253 2505</p> <p>36. 1G-3G
Jalan Wawasan 2/10
Bandar Baru Ampang
68000 Ampang
Tel : 03-4291 0437
Fax : 03-4292 8006</p> <p>37. No. 7 & 9,
Jalan Bunga Tanjung 6A
Taman Putra
68000 Ampang
Tel : 03-4292 9867
Fax : 03-4293 9898</p> <p>38. No. 3, Jalan Takal 15/21
Seksyen 15
40000 Shah Alam
Tel : 03-5510 9023
Fax : 03-5510 5307</p> <p>39. No. 26
Jalan Tengku Ampuan
Zabedah D9/D, Seksyen 9
40100 Shah Alam
Tel : 03-5880 8047
Fax : 03-5880 8726</p> <p>40. No. 29
Jalan Anggerik Vanilla N 31/N
Kota Kemuning
40460 Shah Alam
Tel : 03-5123 1335
Fax : 03-5123 1635</p> <p>41. Wisma Amsteel Securities
No. 1, Lintang Pekan Baru
Off Jalan Meru
41050 Kelang
Tel : 03-3343 7635
Fax : 03-3343 7621</p> <p>42. 169, Jalan Teluk Pulau
41100 Klang
Tel : 03-3372 7333
Fax : 03-3372 7111</p> <p>43. No. 68
Lorong Batu Nilam 4A
Bandar Bukit Tinggi
41200 Klang
Tel : 03-3324 2832
Fax : 03-3324 1339</p> | <p>44. No. 1 & 3
Jalan Sri Sarawak 17
Taman Sri Andalas
41200 Klang
Tel : 03-3324 2546
Fax : 03-3324 2553</p> <p>45. No.36
Jalan Dato Shahbudin 30
Taman Sentosa
41200 Klang
Tel : 03-5161 1679
Fax : 03-5161 1919</p> <p>46. 20, Jalan Goh Hock Huat
41400 Klang
Tel : 03-3342 8036
Fax : 03-3344 8872</p> <p>47. No. 119 & 121
Jalan Sultan Abdul Samad
42700 Banting
Tel : 03-3187 6758
Fax : 03-3187 6652</p> <p>48. No. 174 & 174A, Jalan Besar
42800 Tanjung Sepat
Kuala Langat
Tel : 03-3197 2149
Fax : 03-3197 2257</p> <p>49. 30, Persiaran Tun Abdul Aziz
43000 Kajang
Tel : 03-8736 5277
Fax : 03-8736 8133</p> <p>50. No. 11 & 13, Jalan M/J 1
Taman Majlis Jaya
Jalan Sungai Chua
43000 Kajang
Tel : 03-8737 6090
Fax : 03-8737 6517</p> <p>51. 1 & 3, Jalan Seri Tanming 1 F
Taman Seri Tanming
Batu 9 , 43200 Cheras
Tel : 03-9100 4559
Fax : 03-9100 3760</p> <p>52. No. 24, Medan Taming 2
Taman Taming Jaya
43300 Balakong
Tel : 03-8961 5949
Fax : 03-8961 5951</p> <p>53. 29-1, Jalan SP 2/1
Taman Serdang Perdana
43300 Seri Kembangan
Tel : 03-8943 0795
Fax : 03-8943 0867</p> |
|---|---|---|

Network of Branches

(continued)

- | | | |
|--|---|--|
| 54. No. 1505B, Jalan Besar
43300 Seri Kembangan
Tel : 03-8948 3341
Fax : 03-8948 5031 | 64. No. 30, Jalan Public
Sungai Buloh New Village
47000 Sungai Buloh
Tel : 03-6157 4286
Fax : 03-6156 9796 | 74. Ground Floor
No. 22, Jalan USJ 10/1
47620 Subang Jaya
Tel : 03-5636 7225
Fax : 03-5636 7230 |
| 55. No. 7 & 9
Jalan Pasar Baru 2
Seksyen 3
Bandar Semenyih
43500 Semenyih
Tel : 03-8724 9424
Fax : 03-8724 7743 | 65. No. 48, Jalan Bandar Tiga
Pusat Bandar Puchong
47100 Puchong
Tel : 03-5882 1297
Fax : 03-5882 2869 | 75. Lot G-18 & G-19
Perdana The Place
Damansara Perdana
47820 Petaling Jaya
Tel : 03-7724 2459
Fax : 03-7724 2167 |
| 56. No. 64, Jalan Stesen
45000 Kuala Selangor
Tel : 03-3289 5958
Fax : 03-3289 5955 | 66. No. 2, Jalan Kinrara
Taman Kinrara, Jalan Puchong
47100 Puchong
Tel : 03-8075 1486
Fax : 03-8070 1635 | 76. No. 59A, Jalan Welman
48000 Rawang
Tel : 03-6091 0460
Fax : 03-6093 4482 |
| 57. No.15 & 16
Jalan Menteri Besar 2
New Sekinchan Business Centre
45400 Sekinchan
Tel : 03-3241 6352
Fax : 03-3241 6303 | 67. No. E-01-07 & E-01-08
Jalan Puchong Prima 5/3
Puchong Prima, 47100 Puchong
Tel : 03-8068 3285
Fax : 03-8060 5427 | 77. 19 Jalan 54, Desa Jaya
52100 Kepong
Tel : 03-6276 3701
Fax : 03-6272 2012 |
| 58. 80 & 82 Jalan Othman (1/14)
46000 Petaling Jaya
Tel : 03-7781 4261
Fax : 03-7781 0133 | 68. No. 14 & 15, Jalan Kenari 1
Bandar Puchong Jaya
47100 Puchong
Tel : 03-8076 6697
Fax : 03-8076 6610 | 78. No. 23 & 24, Jalan KIP 1
Taman Perindustrian KIP
52200 Selangor
Tel : 03-6277 4614
Fax : 03-6272 2687 |
| 59. 18, Ground Floor
Jalan 14/14
46100 Petaling Jaya
Tel : 03-7956 8101
Fax : 03-7955 0425 | 69. 39, Jalan SS2/67
47300 Petaling Jaya
Tel : 03-7876 9372
Fax : 03-7876 9846 | 79. Wisma Keringat 2
No. 17, Lorong Batu Caves 2
68100 Batu Caves
Tel : 03-6187 7464
Fax : 03-6187 8042 |
| 60. 12 & 14, Jalan PJS 11/28A
Metro Bandar Sunway
Bandar Sunway
46150 Petaling Jaya
Tel : 03-5637 5396
Fax : 03-5637 5397 | 70. No. 25-29G
Jalan SS 21/60
47400 Damansara Utama
Petaling Jaya
Tel : 03-7722 4193
Fax : 03-7726 4037 | 80. No. 8, Jalan SG 1/2
Taman Seri Gombak
68100 Batu Caves
Tel : 03-6184 2492
Fax : 03-6185 2689 |
| 61. 34 & 36
Jalan Yong Shook Lin
46200 Petaling Jaya
Tel : 03-7957 9302
Fax : 03-7958 1032 | 71. 63 & 65, SS23/15
Taman SEA
47400 Petaling Jaya
Tel : 03-7804 9053
Fax : 03-7804 4049 | 81. No.39 & 41, Jalan SJ 17
Taman Selayang Jaya
68100 Batu Caves
Tel : 03-6120 6813
Fax : 03-6120 6797 |
| 62. No. 18 & 20, Jalan 20/16A
Taman Paramount
46300 Petaling Jaya
Tel : 03-7876 5131
Fax : 03-7876 4836 | 72. No. 16, Jalan SS19/6
47500 Subang Jaya
Tel : 03-5636 8295
Fax : 03-5632 1313 | 82. No.2 Jalan Puteri 2/4
Bandar Puteri
47100 Puchong
Tel : 03-8063 6839
Fax : 03-8068 6378 |
| 63. No. 64, Jalan BRP 1/2
Bukit Rahman Putra
47000 Sungai Buloh
Tel : 03-6156 0195
Fax : 03-6157 5610 | 73. 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 | 83. A-G-8 & A-G-09, Glomac Square
Jalan SS6/5A, Dataran Glomac
Pusat Bandar Kelana Jaya
47301 Petaling Jaya
Tel : 03-7805 1178
Fax : 03-7804 2611 |

Network of Branches

(continued)

84. Ground Floor, Tower A
PJ City Development
15A, Jalan 219, Sec 51A
46100 Petaling Jaya
Tel : 03-7877 1629
Fax : 03-7876 1384

PERLIS INDERA KAYANGAN

85. No. 40 & 42
Jalan Bukit Lagi
01000 Kangar
Tel : 04-9770 366
Fax : 04-9772 888

KEDAH DARUL AMAN

86. 1540 Jalan Sultan Badlishah
05000 Alor Setar
Tel : 04-7317 255
Fax : 04-7311 514

87. No. 24, 26 & 28
Jalan Teluk Wanjah
05200 Alor Setar
Tel : 04-7312 969
Fax : 04-7314 582

88. 9A & 9B
Jalan Kampung Baru
08000 Sungai Petani
Tel : 04-4205 212
Fax : 04-4226 012

89. Ground & 1st Floor
No. 64 & 65
Jalan Pengkalan
Taman Pekan Baru
08000 Sungai Petani
Tel : 04-4236 118
Fax : 04-4236 121

90. 62 & 63, Jalan Bayu Satu
09000 Kulim
Tel : 04-4913 612
Fax : 04-4913 604

91. No. 1 & 2, Jalan Raya
09800 Serdang
Tel : 04-4076 913
Fax : 04-4076 921

PULAU PINANG

92. 45 Jalan Burma
10050 Pulau Pinang
Tel : 04-2103 507
Fax : 04-2262 779

93. No 1
Light Street
Georgetown
10200 Penang
Tel : 04-2615154
Fax : 04-2626 360

94. No. 441-G-1, 441-G-2, 441-G-3
Jalan Burmah
10350 Pulau Pinang
Tel : 04-2295 717
Fax : 04-2288 472

95. 98-G-15, Prima Tanjung
Jalan Fettes,
Tanjung Tokong
10470 Pulau Pinang
Tel : 04-8991 322
Fax : 04-8998 644

96. 33A, B & C
Lintang Angsana
Bandar Baru Ayer Itam
11500 Pulau Pinang
Tel : 04-8269 836
Fax : 04-8269 843

97. 294 & 296
Jalan Jelutong
11600 Penang
Tel : 04-2812 576
Fax : 04-2812 148

98. No. 723-G-G, 723-H-G & 723-I-G
Jalan Sungai Dua
11700 Pulau Pinang
Tel : 04-6586 699
Fax : 04-6586 969

99. No. 1-G-03, Tesco Penang
No. 1, Leboh Tengku Kudin 1
Bandar Jelutong
11700 Penang
Tel : 04-6561 420
Fax : 04-6561840

100. No 15-G-1 (Bayan Point)
Medan Kampung Relau
11900 Penang
Tel : 04-6428 644
Fax : 04-6428 640

101. 2828-G-02 & 2828-1-02
Jalan Bagan Luar
12000 Butterworth
Tel : 04-3315 660
Fax : 04-3312 145

102. 19 Jalan Bertam
13200 Kepala Batas
Seberang Prai
Tel : 04-5754 871
Fax : 04-5757 688

103. No. 6963 & 6964
Jalan Ong Yi How
Kawasan Perusahaan Raja Uda
13400 Butterworth
Tel : 04-3328 735
Fax : 04-3322 277

104. No. 1, Leboh Kurau 1
Taman Chai Leng
13700 Prai
Tel : 04-3977 961
Fax : 04-3977 851

105. No. 9 & 10
Jalan Todak 2, Pusat Bandar
Seberang Jaya, 13700 Prai
Tel : 04-3972 092
Fax : 04-3972 094

106. No. 4 & 6
Lorong Usahaniaga 1
Taman Usahaniaga
14000 Bukit Mertajam
Tel : 04-5370 453
Fax : 04-5370 454

107. 1781, Jalan Nibong Tebal
Taman Panchor Indah
14300 Pulau Pinang
Tel : 04-5941 942
Fax : 04-5942 886

KELANTAN DARUL NAIM

108. PT 226 & 227
Jalan Kebun Sultan
15350 Kota Baru
Tel : 09-7470 934
Fax : 09-7473 799

TERENGGANU DARUL IMAN

109. Lot 3594 & 3595
Jalan Baru Pak Sabah
23000 Dungun
Tel : 09-8482 766
Fax : 09-8484 480

Network of Branches

(continued)

110. No.31 Jalan Sultan Ismail
20200 Kuala Terengganu
Terengganu Darul Iman
(Full-Fledged Islamic Branch)
Tel : 09-6244 458
Fax : 09-6244 261

PAHANG DARUL MAKMUR

111. No. 25
Jalan Tun Ismail
25000 Kuantan
Tel : 09-5157 158
Fax : 09-5157 130

112. A125 & A127
Jalan Air Putih
25300 Kuantan
Tel : 09-5683 277
Fax : 09-5684 359

113. 21 Jalan Tun Razak
27600 Raub
Tel : 09-3554 423
Fax : 09-3554 455

114. F107 Jalan Kuantan
28000 Temerloh
Tel : 09-2967 492
Fax : 09-2967 553

115. 59 & 60
Jalan Temerloh
Locked Bag No. 9
28409 Mentakab
Tel : 09-2772 954
Fax : 09-2772 995

116. 1 Bentong Heights
28700 Bentong
Tel : 09-2221 080
Fax : 09-2223 592

117. 36 Main Road, Tanah Rata
39000 Cameron Highlands
Tel : 05-4915 158
Fax : 05-4911 158

PERAK DARUL RIDZUAN

118. 75, Jalan Sultan Idris Shah
30000 Ipoh
Tel : 05-2554 482
Fax : 05-2547 335

119. No.28, Medan Silibin
30100 Ipoh
Tel : 05-5281 553
Fax : 05-5264 333

120. Ground Floor
55-57 Jalan Yang Kalsom
30250 Ipoh
Tel : 05-2559 591
Fax : 05-2542 323

121. Lot-A-G-2 (Ground Floor)
No 1, Persiaran Greentown 2
Greentown Business Centre
30450 Ipoh
Tel : 05-2530 048
Fax : 05-2555 251

122. 27 Jalan Dewangsa
31000 Batu Gajah
Tel : 05-3653 192
Fax : 05-3653 190

123. No. 91 & 93
Jalan Dato Lau Pak Khuan
Ipoh Garden
31400 Ipoh
Tel : 05-5465 359
Fax : 05-5495 158

124. No. 17, Jalan Persiaran
Kledang Timur 21
Bandar Baru Menglembu
31450 Ipoh
Tel : 05-2829 367
Fax : 05-2829 372

125. 579 & 579A
Jalan Pasir Puteh
31650 Ipoh
Tel : 05-3229 653
Fax : 05-3229 641

126. 133 & 135 Jalan Gopeng
31900 Kampar
Tel : 05-4665 778
Fax : 05-4665 191

127. No. 16 & 17
Taman Sitiawan Maju
Jalan Lumut
32000 Sitiawan
Tel : 05-6922 317
Fax : 05-6922 320

128. No.53, 55 & 57
Jalan Stesyen, 34000 Taiping
Tel : 05-8065 446
Fax : 05-8065 631

129. 41, Jalan Taiping
34200 Parit Buntar
Perak Darul Ridzuan
Tel : 05-7164 689
Fax : 05-7163 648

130. N-20, Jalan Bidor Raya
Off Jalan Persatuan
35500 Bidor
Tel : 05-4341 212
Fax : 05-4344 313

131. 11 & 12
Kompleks Menara Condong
Jalan Ah Chong
36000 Teluk Intan
Tel : 05-6237 277
Fax : 05-6233 642

NEGERI SEMBILAN DARUL KHUSUS

132. No. 69, 70 & 71
Jalan Dato Bandar Tunggal
70000 Seremban
Tel : 06-7628 781
Fax : 06-7638 288

133. 1278 Jalan Rasah
70300 Seremban
Tel : 06-7615 789
Fax : 06-7615 801

134. 9267 Jalan TS 2/1 H
Taman Semarak 2, 71800 Nilai
Tel : 06-7991 752
Fax : 06-7991 755

135. 112 Jalan Yam Tuan Raden
72000 Kuala Pilah
Tel : 06-4816 928
Fax : 06-4813 284

136. 100, Jalan Gurney
72100 Bahau
Tel : 06-4542 980
Fax : 06-4545 358

MELAKA

137. 150 & 152
Kompleks Munshi Abdullah
Jalan Munshi Abdullah
75100 Melaka
Tel : 06-2816 735
Fax : 06-2830 399

Network of Branches

(continued)

138. No. 102 & 104
Jalan Suria 2
Taman Malim Jaya
75250 Melaka
Tel : 06-3343 170
Fax : 06-3343 067

139. 345, Jalan Ong Kim Wee
75300 Melaka
Tel : 06-2842 310
Fax : 06-2830 153

JOHOR DARUL TAKZIM

140. 12 - 16
Jalan Wong Ah Fook
80000 Johor Baharu
Tel : 07-2228 312
Fax : 07-2249 317

141. No 8, Jalan Station
80000 Johor Bahru
Tel : 07- 2228 462
Fax : 07-2763 085

142. 37, Jalan Harimau Tarum
Taman Century
80250 Johor Baharu
Tel : 07-3335 909
Fax : 07-3315 559

143. No. 173 & 175
Jalan Sri Pelangi
Taman Pelangi
80400 Johor Bahru
Tel : 07-3353 614
Fax : 07-3342 598

144. No. 6 & 7, Jalan Anggerik 1
Taman Kulai Utama
81000 Kulai
Tel : 07-6635 282
Fax : 07-6632 336

145. 80 Jalan Dedap 13
Taman Johor Jaya
81100 Johor Bahru
Tel : 07-3546 320
Fax : 07-3552 311

146. Lot No. S 122, KIP Mart
Taman Tampoi Indah
81200 Tampoi
Tel : 07-2419 832
Fax : 07-2418 061

147. No. 2, Jalan Jati
Taman Nusa Bistari Jaya
81300 Skudai
Tel : 07-5115 471
Fax : 07-5113 492

148. 6 & 8, Jalan Nakhoda 12
Taman Ungku Tun Aminah
81300 Skudai
Tel : 07-5547 690
Fax : 07-5566 682

149. No. 39 & 41
Jalan Kebudayaan 1
Taman Universiti
81300 Skudai
Tel : 07-5217 817
Fax : 07-5217 726

150. No. 17 & 18,
Jalan Cempaka
81750 Masai
Tel : 07-2526 500
Fax : 07-2526 378

151. 2 & 2-01
Jalan Permas 10/7
Bandar Baru Permas Jaya
81750 Johor Bahru
Tel : 07-3867 074
Fax : 07-3880 762

152. No. 24 & 25, Jalan Ahmad Ujan
Taman Kota Besar
81900 Kota Tinggi
Tel : 07-8832 021
Fax : 07-8835 989

153. No. 685, Jalan Taib, Pontian
82000 Johor
Tel : 07-6868 900
Fax : 07-6876 561

154. 31 & 32, Jalan Kundang
Taman Bukit Pasir
83000 Batu Pahat
Tel : 07-4334 105
Fax : 07-4317 071

155. No. 49, Jalan Jenang
83000 Batu Pahat
Tel : 07-4314 436
Fax : 07-4310 641

156. 109 Main Road
83700 Yong Peng
Tel : 07-4672 351
Fax : 07-4674 185

157. No. 61-1, 61-2, 61-3
Jalan Arab, 84000 Muar
Tel : 06-9515 127
Fax : 06-9515 215

158. No. LC 531, Jalan Payamas
84900 Tangkak
Tel : 06-9781 154
Fax : 06-9784 684

159. No. 32 & 33, Jalan Genuang
85000 Segamat
Tel : 07-9312 403
Fax : 07-9310 212

160. No. 70, Jalan Segamat
85300 Labis
Tel : 07-9251 208
Fax : 07-9251 336

161. 120 - 122, Jalan Mersing
86000 Kluang
Tel : 07-7732 234
Fax : 07-7724 170

LABUAN

162. No.64, Jalan Tun Mustapha
87007 Labuan
Tel : 087-423 291
Fax : 087-423 289

SABAH

163. Lot 119, Jalan Gaya
88000 Kota Kinabalu
Sabah
Tel : 088-255 278
Fax : 088-223 261

164. No. 5 & 6 (Ground Floor)
Lorong Lintas Plaza 1
Lintas Plaza
88300 Kota Kinabalu
Tel : 088-318 753
Fax : 088-316 226

165. Block B, 7, 11.2 km,
Jalan Tuaran
Hiong Tiong Industrial Centre
88815 Inanam
Tel : 088-437 026
Fax : 088-437 302

166. 19 Jalan Haji Saman
P.O. Box 11989
88821 Kota Kinabalu
Tel : 088-235 699
Fax : 088-218 386

167. Ground Floor
Wisma Sandaraya
Humphrey Street
90000 Sandakan
Tel : 089-226 911
Fax : 089-275 499

Network of Branches

(continued)

168. Lot 1, 2 & 3, Block 18
Mile 4, North Road
Bandar Indah
90722 Sandakan
Tel : 089-217 835
Fax : 089-212 731

169. Ground & 1st Floor
Lot No.1, Block 35
Fajar Commercial Complex
Jalan Lembaga
91013 Tawau
Tel : 089-770 395
Fax : 089-770 403

SARAWAK

170. No. 35 Jalan Khoo Hun Yeang
93000 Kuching
Tel : 082-240 312
Fax : 082-415 466

171. Lots 561 & 562
Jalan Datuk Wee Kheng Chiang
Off Jalan Padungan
93100 Kuching
Tel : 082-235 660
Fax : 082-235 527

172. 296 - 297 Central Park
Commercial Centre
3rd Mile, 93200 Rock Road
Kuching
Tel : 082-236 300
Fax : 082-230 120

173. Lot 13 & 14
Olive Garden
7th Mile Bazaar
Jalan Pensrissen
93250 Kuching
(P.O. Box 99, 93700, Kuching)
Tel : 082-611 587
Fax : 082-613 422

174. No.155C, Jalan Satok
93400 Kuching
Tel : 082-257 654
Fax : 082-253 529

175. 42, Jalan Pending
93450 Kuching
Tel : 082-336 132
Fax : 082-336 912

176. No. 175, Serian Bazaar
94700 Serian
Tel : 082-874 878
Fax : 082-874 828

177. 5E, Sabu Road
P.O Box 106
95007 Sri Aman
Tel : 083-320 459
Fax : 083-320 460

178. Lot. 124, Saratok Bazaar
P.O. Box 71
95407 Saratok
Tel : 083-436 011
Fax : 083-436 012

179. Sublot 6, Lot 538
Jalan Lee Kai Teng
P.O Box 34
95700 Betong
Tel : 083-472 197
Fax : 083-472 326

180. 18, Chew Geok Lin Street
P.O Box 1461
96000 Sibul
Tel : 084-336 653
Fax : 084-316 833

181. No. 133, 135 & 137
Jalan Kampung Nyabor
96000 Sibul
Tel : 084-330 370
Fax : 084-312 081

182. 6, Jalan Merdeka
96100 Sarikei
Tel : 084-651 115
Fax : 084-652 784

183. No. 722, Jalan Masjid
P.O Box 19
96400 Mukah
Tel : 084-871 726
Fax : 084-871 737

184. 8-10, Lorong Maju
P.O. Box 279
96508 Bintangor
Tel : 084-693 431
Fax : 084-693 689

185. Lot 3073 & 3074
Jalan Abang Galau
97000 Bintulu
Tel : 086-332 293
Fax : 086-332 433

186. Lot 1090 & 1091
Jalan Merpati
98007 Miri
Tel : 085-412 133
Fax : 085-419 095

187. Ground Floor
43A, Jalan Buangsiol
98700 Limbang
Tel : 085-214 451
Fax : 085-214 452

SINGAPORE

188. 20, Collyer Quay
Unit #01-02 & 02-02
Tung Centre
Singapore 049319
Tel : 02-6349 8338
Fax : 02-6533 9340

HONG KONG

189. 12th Floor, The Center
99 Queen's Road Central
Hong Kong
Tel : 852-2283 8838
Fax : 852-2285 3138

VIETNAM

190. Hong Leong Bank Vietnam Limited
Ground Floor, Centec Building
72-74 Nguyen Thi Minh Khai
Street
Dis.3, Ho Chi Minh City
Tel : 848-6299 8100
Fax : 852-6299 8101

BUREAU DE CHANGE

191. Public Concourse
Sultan Ismail Airport
81250 Johor Bahru
Tel : 07-5984 467
Fax : 07-5987 379

192. 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



Hong Leong Bank Berhad (97141-X)

A Member of the Hong Leong Group

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-ninth Annual General Meeting of the Bank to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Wednesday, 20 October 2010 at 11.30 a.m. and at any adjournment thereof.

My/Our proxy/proxies is/are 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 Kwek Leng Hai as a Director		
4. To re-elect Encik Zulkiflee Bin Hashim as a Director		
5. To re-elect Mr Choong Yee How as a Director		
6. To re-elect YBhg Datuk Kwek Leng San as a Director		
7. To re-elect Ms Lim Lean See as a Director		
8. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Bank and authorise the Directors to fix their remuneration		
Special Business		
9. To approve the ordinary resolution on authority to Directors to issue shares		
10. To approve the ordinary resolution on 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		
11. To approve the ordinary resolution on the Proposed Renewal Of The Authority For The Purchase Of Own Shares By The Bank		

Dated this day of 2010

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 (please refer to note 7 below). 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