

## Group Managing Director / Chief Executive's Review (continued)

Capital strength remains a pillar, with the core capital ratio at 13.3% and risk-weighted capital ratio (RWCR) at 16.4% in FY08, among the strongest in industry.

Hong Leong Bank is today a full-fledged bank with a regional franchise:

### Hong Leong Bank is today a Full-Fledged Bank with a Regional Franchise

- Integrated Multi-Channel Sales & Distribution Franchise
- Personal Financial Services
  - Deposits
  - Mortgages
  - Credit Cards
  - Personal Loans
  - Wealth Management: Investments
  - Wealth Management: Bancassurance
  - Auto Loans
  - Share Margin Financing
- Enterprise Data Warehouse & Customer Analytics
- Wholesale Banking
  - Treasury
  - Corporate & Commercial Business
  - SME Business
  - Trade Finance
  - Debt Capital Markets & Structured Finance
- Investment Banking
- Private Banking
- E-Banking & Transactions
- Islamic Banking & Takaful
- Singapore, Hong Kong, China

Hong Leong Bank's Integrated, Multi-Channel Distribution Franchise:

### Hong Leong Bank's Integrated Multi-Channel Distribution Franchise

- 185 Branches & 17 Business Centres in urban areas, business districts & mass affluent sub-urban communities
- 2 Overseas Branches (Singapore & Hong Kong)
- 13 Onshore Priority Banking Centres & 2 Offshore Private Banking Centres for Wealth Management
- Single-Product Direct Sales Team (>550 pax)
- Telemarketing (>170 pax)
- 654 Self-Service Terminals
- Hong Leong Online - the Integrated Financial Portal across the Hong Leong Financial Services Group
- Hong Leong Phone Banking
- Hong Leong Mobile Banking
- Integrated Call Centre (full service in-bound & outbound state-of-the-art 100+ seats call centre)
- Full range of MEPS (local ATM switch) services
  - Actively participates in MEPS
  - Includes ATM, e-Debit, FBX & Interbank Giro
  - Cross-border ATM (China, Thailand, Singapore, Indonesia)
- The Bank is the main distribution franchise for the Hong Leong Financial Group that includes 2 subsidiaries, Hong Leong Islamic Bank & Hong Leong Tokio Marine Takaful, as well as its sister companies, Hong Leong Assurance & HLG Capital



## Personal Financial Services

Helping More People Realise More Dreams



The Personal Financial Services (PFS) segment has been a successful transformation story. The vision is to embed the Hong Leong Bank consumer banking franchise in the region. PFS is now a business contributing 67% of the Bank's profits, and delivered 47% of the Bank's non-interest income in FY08.

PFS ranked number 2 for the cumulative share of all incremental loans to individuals in the banking sector for the last 7 quarters to March 2008, and today we are among the big 5 in the sector for total consumer loan assets.

More and more customers are preferring Hong Leong Bank and banking with us. Our PFS customer base grew 23% since December 2005, and today, 21% of Malaysia's bankable population entrust us with their financial assets. Loans to individuals expanded 9.2% year-on-year.

Our Mortgage market share has moved up to 7.8%, and we are today the fourth largest Mortgage player in the sector, up 2 notches from sixth in December 2005. Our Credit Card receivables market share expanded by 1.9% since December 2005 to 8.1% by March 2008, making us one of the fastest growing Credit Card brand year-on-year. We are already number 3 in size for unsecured personal lending, a significant progress since we launched this offering 2 years ago.

The Bank is now among the top 3 in size for deposits by individuals, and the strength of our deposits franchise with the community consolidates the trust of our customers in the Group and our embedment with our customers.

In the past 2 years, we created new distribution channels, including a direct sales force, telemarketing and priority banking centres. We expanded the sales force by 1.7 times, balancing between contract and permanent sales staff to manage productivity whilst providing a flexible structure and agility to scale. Telemarketing at the Bank has made 2.3 million outbound calls in the last 2 years, chalking up more than RM 700 million in sales.

We have built customer and product segmentation including product profitability models, as well as analytical capabilities not just for business but for credit planning and credit scoring, and entrenched financial discipline including strategic cost management in the PFS segment. Over the year, we made significant emphasis to instill governance in compliance and control, fraud awareness and wealth management training.

## Wealth Management

Helping to Preserve Wealth for the Next Generation



The Wealth Management segment is an emerging growth engine. We are helping more and more customers with their financial planning needs, a lifelong process for any individual.

Despite early days, we have made significant headways. We are now among the top 4 Institutional Unit Trust Agent (IUTA) in the market. Investment sales were up 19% vs FY07, and structured investment sales were up 2.1 times vs FY07. Insurance premium production improved to 1.8 times compared to last year. Fee from bancassurance expanded by 21%. Asset under Management (AuM) conversion rate moved up to over 12% from 9% last year.

Since re-launching our Priority Banking brand in FY07, we expanded our Priority Banking Centres to 13 throughout the country to better serve our mass affluent customers, with a host of exclusive privileges including dedicated Relationship Managers to personalise the banking experience for each customer, custom-designed investment objectives using our proprietary Hong Leong Wealth Planner, preferential rates on deposits and foreign exchange, access to all Priority Banking Centres, green lane services at all of our 185 branches, free-for-life credit cards, exclusive invitations to investment talks and lifestyle events, and a dedicated Priority Phone Banking Line.

The results are encouraging. The Priority Banking segment registered a growth of almost 100% vs the prior year and posted RM 1 billion in investment sales, contributing more than 40% of bank-wide investment sales. Each managed relationship averages 3.2 times the footings of a non-managed relationship. AuM per Priority Banking customer is 1.1 times that of a non-managed relationship, and a Priority Banking customer investment AuM is 3.6 times that of a non-managed relationship. Priority Banking segment revenue has improved to 1.3 times vs non-managed relationships. The successes of our Priority Banking and managed relationship model will soon be extended to our branches, allowing a more penetrative outreach of our Wealth Management services into our mass customer base.

At the Bank, we serve both the onshore and offshore wealth management needs of our customers. HL Bank Singapore, our branch in Singapore services high net worth and ultra high net worth clients, and manages an AuM of more than S\$ 4 billion. The vision is to establish the Bank as a regional brand name for Private Banking and to be known as “Builders of Wealth”.

Hong Leong Bank is the main distribution franchise for the Wealth Management offerings of the entire Hong Leong Financial Group. Customers can find quality products from Hong Leong Assurance Bhd, HLG Capital Bhd, HLG Securities Sdn Bhd, HLG Asset Management Sdn Bhd and HLG Unit Trust Bhd.

## Wholesale Banking

Following Our Customers to their Next Level of Growth



The convergence of HL Markets (our Treasury business), Corporate & Commercial (C&C) business and Debt Capital Markets (DCM) and Structured Finance businesses into an integrated Wholesale Banking segment began last year. The goal is to house each business relationship on a wholesome basis and provide the customer a singular, one-stop access to not just our traditional core products of loans and trade finance products, but also HL Markets solutions including forex and interest rate derivatives such as swaps, as well as DCM and structured finance capabilities.

The focus has been on capacity building between all the strategic business units and non-business facing functions, skill set transformation, and to deepen and broaden the wholesale banking framework in the Bank. The C&C business saw a streamlining of the organisation and go-to-market approach where we further segmented it into the following segments - Corporate and Large Commercial, and Commercial and SMEs.

Positive progress has been achieved. HL Markets leveraged on the wholesale banking framework and on the back of a Murex treasury capability delivered a 77% expansion in its segmental profits. Forex profits rose 93%, and commercial forex volume has doubled. HL Markets is today among the top-tier treasury operations in the country for Ringgit market presence and position.

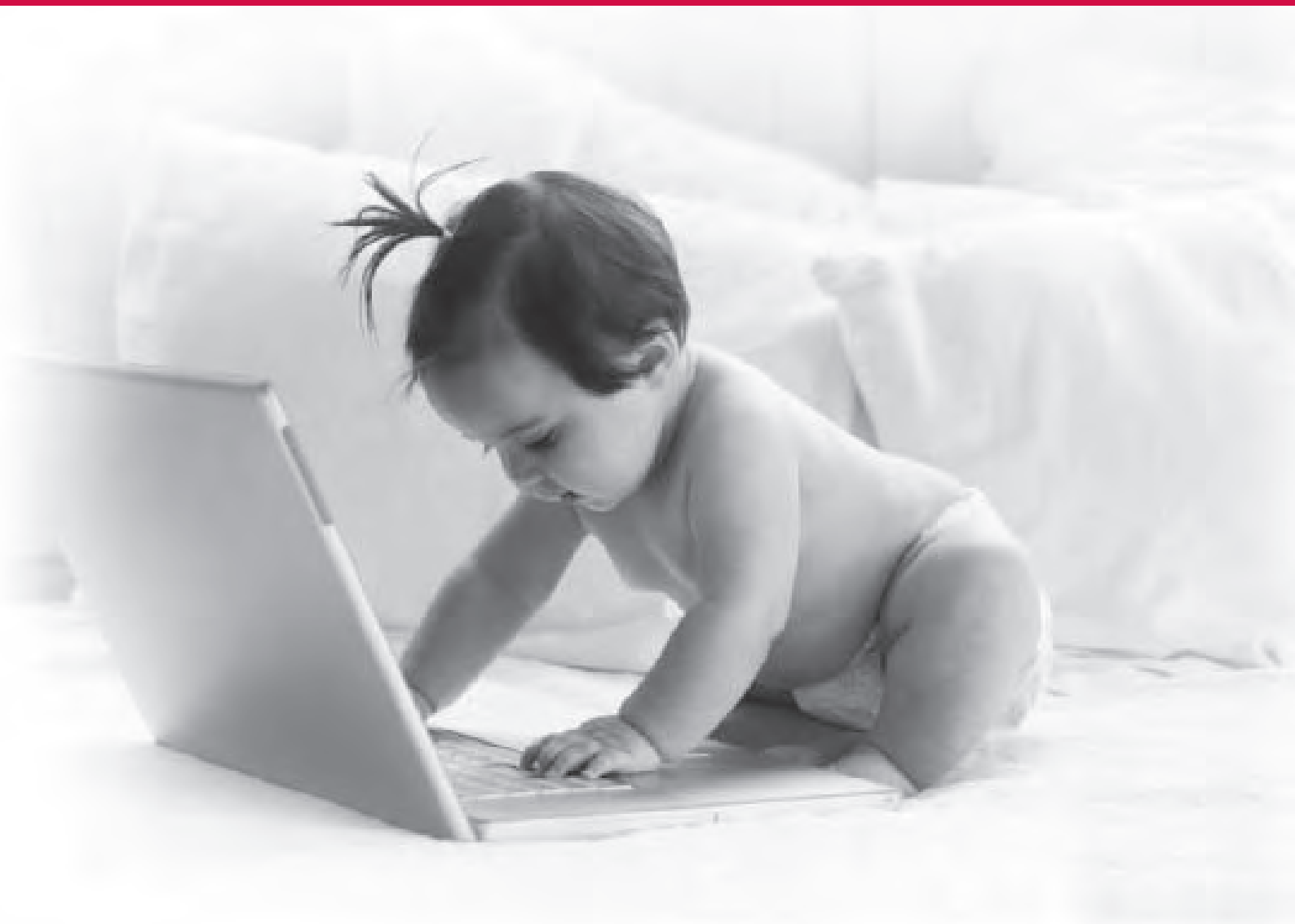
Loans to domestic enterprises expanded 12.4% year-on-year, anchored by a 4.6% growth in the SME segment and a 16.7% growth in the non-SME segment. The embedment with the Middle Market business segment powered an improvement in the Bank's trade finance market share from 6.0% in December 2005 to 9.0% today. The Bank is also among the top 5 in size for total deposits by business enterprises.

Credit quality at origination since the start of the Business Transformation programme in FY04 has seen significant progress, with C&C non-performing loans (NPLs) since 2003 accounting for less than 2% of all C&C NPLs. The C&C net NPL ratio since 2005 has been halved to 3.4%, and the gross NPL ratio (including interest-in-suspense) down by 4 times from 22.0% in FY04 to 5.5% in FY08.



## Electronic Banking

Connected Anywhere, Anytime



[www.hlb.com.my](http://www.hlb.com.my)

The growth of electronic channels (e-channels) as a serious alternate at the Bank is progressing solidly. Today, our customers carry out 77.4% of all machine-able banking transactions over our e-channels that consist of a suite of Internet, Self-Service Terminals, Mobile Service and Integrated Voice Response capabilities, up from 71% in December 2006. E-channel transaction volume grew 26% year-on-year.

The Bank's 185 brick-and-mortar branches are complemented with alternate and electronic channels – more than 600 Self-Service Terminals, Hong Leong Online, Hong Leong Phone Banking, Hong Leong Mobile Banking, and Hong Leong Call Centre – to expand our reach and drive growth from affluent, high traffic and high growth communities, physically and virtually.

The cost of servicing each incremental transaction over e-channels is 4 to 20 times lower than over-the-counter transactions at the branch, allowing us to scale volumes and customer interactions with us efficiently, at lower costs and at higher productivity levels, and more importantly at higher service and convenience levels to customers.

Hong Leong Online, re-launched in March 2007 on a new Internet-mobile architecture saw its first full year of operations over the fiscal year. Customer conversion rate has expanded to 9.6%. Hong Leong Online was also awarded the Best E-Banking Project 2007 by The Asian Banker for its superior efficiency, convenience and speed of transaction delivered to its customers and users. It bested regional submissions from Malaysia, Indonesia, India, Hong Kong and China for the same category. The prestigious IT Implementation Award recognises the best emerging technology practices and benchmarks in Asia Pacific banks. It covers a comprehensive spectrum of areas that includes speed of processes, efficiency improvement, customer satisfaction, technical innovation and system design. The award validates the pioneering role of the Bank in deploying customer-centric, technology-enabled financial solutions in not only Malaysia, but also within the Asia Pacific region.

Apart from The Asian Banker accolade, Hong Leong Online has also been ranked as the 3rd most popular Malaysian online banking site since September 2007 by Alexa.com, with popularity judged based on the combined average mean of reach and page views. Hong Leong Online's pioneering online games to reward its customers has also created a huge internet buzz since its launch in January 2008. Hong Leong Online transactions were up 79% year-on-year, and transaction value grew 34% over the same period.

Hong Leong Online has been architected for tomorrow's internet-mobile convergence, and has proven to be a scalable platform for the Hong Leong Financial Services Group's businesses, with HLG Capital's HLeBroking already up and ready on the platform.

The Bank's payment capabilities for customers, including payroll and bulk Inter-bank Giro (IBG) as well as KWSP E-Collections are well received by customers. Payroll and bulk IBG recorded 2.7 million transactions, with a total transaction value of RM 3.9 billion. IBG payments expanded 52% year-on-year. The Bank also pioneered the proposition of "pocket moneychanger" with cross-border ATM services to 4 countries, namely Singapore, Thailand, Indonesia and China. Hong Leong Bank has been the first local bank to offer cross-border ATM services to all the 4 countries.

## Customer Analytics

Understanding our Customer Intimately



At the Bank, cross-selling and customer knowledge management (CKM) are key measures that began with significant investments in risk and behavioural analytics through our Enterprise Data Warehouse (EDW). This investment has been a pioneering one among local banks, and it is today a serious, differentiating capability.

Our powerful analytical applications enable us to gain differentiating statistical and fact-based insights into our 1.9 million customer base. As a result, we have been able to develop solutions that suit our customers and refresh our product and service offerings at a relevant pace. This significantly sharpens our competitive advantage and allows us to anchor future organic growth on a loyal customer base. As an illustration, we were able to grow the net revenue per mortgage customer by 27% over FY08 through analytics-based cross-selling programmes. Telemarketing has also been able to leverage on CKM's capacity for targeted customer campaigns, and over the last 2 years, made no less than 2.3 million outbound calls and chalked up no less than RM 700 million in sales of higher yielding products.

Customer analytics also power our approach towards managing credit risk and credit quality. It has enabled a focus on sensible business expansion, effective test and control programs, and cross-selling to customer bases with demonstrated credit behaviours. We also use analytics to control and predict behaviour, both dynamic and evolving (segmentation, credit, payment behaviour and collection scorecards). Our EDW infrastructure and the data stored in the EDW are a critical component to our risk capabilities, and for us to meet Basel II data requirements. With the EDW, we already have a 4- to 5-year history and capability to store and evaluate customer information for Basel II.

## Branches

### Our Core Distribution Franchise



Hong Leong Bank branches are the pillars of our deposits franchise, and the centre of our core transactions and interactions with customers. Today, our network of 185 branches in the country serves as the lead delivery channel in all markets and communities, not just for the Bank but also for the products and services of the entire Hong Leong Financial Group.

Branches continue to have a powerful role in the banking landscape of today, and our foremost management priority today is to transform branches as a powerful marketing and distribution capability for the Group. Hong Leong Bank branches will be the bedrock of our entrepreneurialism and embedment in the community. A set of Transformation programmes, including an expansion of the branch footprint, branch re-configuration and branch re-freshing will be implemented to re-invent Hong Leong Bank branches towards profitably delivering what demanding customers expect of us – embedment, choice, convenience, customisation, service and relevance.

Branch service and operations have been quietly but effectively making structural changes to their operating model. Since September 2004, there has been cost savings in terms of branch service and operations personnel costs of RM 22 mil per annum, underscoring their improved efficiency and productivity.

All 35 KL branches are now certified with ISO 9001 for branch counter services, and this will be extended nationwide. I am happy to note the progress by the team to transform branches as a service channel in addition to a sales channel, underpinned by various programmes on process re-engineering and the use of technology.

## Islamic Financial Services

A Syariah-Compliant Proposition for Customers



Hong Leong Islamic Financial Services is carried out by 2 subsidiaries and brands, namely Hong Leong Islamic Bank (HLISB) and Hong Leong Tokio Marine Takaful (HLTMT).

Much of the management focus over the fiscal year has been to position the Hong Leong Islamic Financial Services franchise towards Islamic Wholesale Banking and Investment Banking, as well as Islamic Wealth Management, with an emphasis on growing non-financing income. New skill sets were injected into the team to re-fresh the capabilities, develop Islamic product manufacturing capacity, and deepen the Syariah capability in the Group. And today, HLISB is on track to be a full-service, stand-alone Islamic financial services entity.

Despite being relatively new to the game, HLISB has secured new Investment Banking mandates over the fiscal year including a major mandate on the back of an innovative structure, edging out 13 other local and foreign competitors. The prospects are exciting.

Another highlight has been the re-built capacity to innovate and produce Islamic products of globally accepted Syariah standards. Syariah capability has also been transformed, and with 2 new international scholars, HLISB now functions as Group Syariah to offer advisory support to the entire Group.

We now have 2 HLISB branches, and a few more are in the works. HLISB will be expanding its branch footprint in the right locations. The Islamic branches of HLISB are a critical element to project the Islamic financial services brand and franchise and embed HLISB with especially new-to-bank customers and new segments.

HLTMT is also shaping up nicely. Gross contributions exceeded RM 170 million, and product penetration rates into the mother bank's customer base have been meeting the targets set out for the business. Still early days for the business, and HLTMT is still very much lining up and executing on the building blocks to build the operating capacity and relevant go-to-market business model, whilst leveraging on the Group's distribution franchise and developing its agency force and 3rd party alliances.

For more insights into our strategies in this market space, we have published the Hong Leong Islamic Bank Berhad Annual Report of 2008.



## International Businesses

Growing with Customers Across Shores



HL Bank Singapore, our Singapore Branch is another trailblazer in the Bank, despite its 1-branch setup against the goliaths of the Singapore financial services industry. The vision has been to build HL Bank Singapore into a formidable regional boutique Investment Bank. Private Banking, Investment Banking and Treasury have been the core businesses, and Islamic Banking as well as Principal Investments are positioned to be new segments for the branch.

Since 2002, the Branch has raised almost US\$ 2 billion via 33 Initial Public Offerings (IPOs) and Reverse Takeovers (RTOs), 40 placements and 21 Pre-IPOs. It has been ranked as high as number 1 by Bloomberg for number of IPO issues in Singapore. With the current pipeline, there is good opportunity for the Branch to regain this prime spot on the Singapore IPO bookrunner league table.

Private Banking is another successful segment out of HL Bank Singapore. With an AuM of more than S\$ 4 billion, it offers an integrated approach to manage corporate and personal wealth for our 1,200 active Private Banking clients in the Branch. It has a regional client base, with 80% of its clientele from Greater China and the other 20% from Southeast Asia and the Middle East.

Hong Kong Branch turned in profits for FY08, and HL Markets (Treasury) and Wealth Management are core segments. With new talents on board in these segments, the Branch is being re-positioned through a combined Wholesale Banking, Wealth Management and Islamic Banking model.

The Bank is broadening the Singapore and Hong Kong Branches as wholesome franchises for sustainable value creation.

In October 2007, the Group made its move to enter the China market through its acquisition of a 20% equity interest in Chengdu City Commercial Bank Co., Ltd (Chengdu Bank), a leading city commercial bank in western China. At the date of publication, the Bank has completed the share subscription transaction and has convened the first Hong Leong Bank - Chengdu Bank Co-operation Committee meeting.

We are extremely excited with the progress and the aspirations of Chengdu Bank, and through expert and technical assistance as well as training programmes with Chengdu Bank, the Bank has a unique and tremendous opportunity to create value in a Chinese franchise and help position Chengdu Bank as a pre-eminent player in central and western China. This investment will shape Hong Leong Bank as a regional player, and over time, will be an increasing contributor to our international profits.

# Group Managing Director / Chief Executive's Review (continued)

## Investing in a Sustainable Foundation for Growth

For the past 4 years, the Bank's Business Transformation strategies to scale the business by re-organising around the customers and strengthening the drivers of competition have provided the Bank with visible and robust inflection points. Every part of the business has been and is being transformed, from the front lines to the middle office and back office.

Both the Consumer Credit and Wholesale Credit strategic business units (SBUs) have put in place various structural changes and holistic transformation programmes encompassing people, processes, policies and systems to reform Credit as a fundamental capability for the Bank. From significant improvements in turnaround and quality at origination, to scorecards, rating models and risk management information systems (MIS), and to pre-NPLs and recoveries, as well as analytics for Basel II, the Bank's credit capability stands out as a differentiator in the market.

The Strategic Support team are the quiet but effective pillars of the Bank. The last 2 years in particular has seen an infusion of new skill sets in analytics, market risk, financial modelling, Basel II and compliance, central treasury unit, fund transfer pricing and asset-liability management, strategic finance and performance management, data management and quality and standards, as well as in legal, human resources and learning and development SBUs. Often times, the contributions of these talents are not always so visible to the market, from both the new and old who have up-skilled. They have introduced new capabilities, systems and tools not just to support the rapid business growth and volumes, but also to enlarge the operating capacity and support the growing complexities and demands of our businesses. There is also now a new IT organisation, streamlined to deliver our IT objectives for both business and strategic support needs.

The Hong Leong Bank Group franchise is both a growth as well as transformation story today. The Group has re-organised around the customer. Key indicators are in the right direction. The pace and scale of transformation across the Group have certainly picked up, from people and process to technology and risk management, and I am confident that we are that much closer towards becoming a domestic core with a regional, embedded presence by 2011.

People are the key driver for sustainability and efficiency, but talent management is the greatest challenge. The ongoing challenge has been to transform towards a credible workforce, of people who are entrepreneurial, who can anticipate, are dedicated and have the skills and competencies, to build and harness the winning team. And retaining and developing talents have been very difficult indeed in a fast changing market. Investing in a differentiating talent management proposition for our colleagues is an ongoing management focus. The ultimate difference lies in execution, and in aligning people, structure, systems and processes towards exceptional execution.

Notwithstanding the market headwinds, the market on balance still offers much headroom for organic growth. Organic growth and topline growth must still be pursued, while maintaining strict vigilance on enterprise risk management, and be disciplined in looking around the corner so that we will not be caught on the back foot. We will continue to invest in new markets and new international opportunities.

The theme on sustainable, profitable growth will continue. Our philosophy is to build sustainable growth that will withstand economic cycles and market risk changes. As a custodian of deposits, we will remain prudent in our growth strategies to consolidate the strong support of shareholders and customers. As has been the case in the past, our franchise resilience, capital base, balance sheet liquidity and our management strength secure our options for the future.

On the back of the successes of the organic franchise over the last 2 years, the Board and Management are ready to fortify the business to the next threshold of Prime Value. The Bank is working on the next wave of strategy beyond the incremental business-as-usual towards new business models that leapfrog others.

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

22 September 2008



# Corporate Social Responsibility

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

## Economic Sustainability

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

- An established Financial Management Discipline intended to drive excellence in financial management with the objective of preserving and enhancing the quality of business as a going concern.
- An established Enterprise Risk Management structure to ensure that a systematic process and delegation of responsibility is clearly set out to guide management. The Group sees Enterprise Risk Management as a serious consideration to protect the company from defaults that could fundamentally damage enterprise value.
- A strict code of business conduct and ethics which the Group abides by in all types of transactions and interactions.
- Public communications, like financial reports contain disclosures that are fair, accurate, timely and understandable.
- In choosing its directors, the Group seeks individuals of high integrity, have shareholder orientation and a genuine interest in their respective company's businesses. They are tasked with the responsibility of exercising their business judgment to act in what they reasonably believe to be in the best interest of the company and the shareholders they represent.
- The strict practice of responsible selling and marketing of products and services, in a global market that is increasingly becoming even more aggressive and competitive.

## Social Sustainability

### Employee Development and Welfare

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

The Group's Total Achievers' Group Programme, initiated in Fiscal Year 2007/2008, is a structured 10-month programme to develop managerial talents into future leaders of the Group. This programme currently involves 28 managers from the various Group companies.

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

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

'At Hong Leong Bank, people make the difference'

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

The Bank has made quantum leaps in the area of talent development – employees are exposed to both internally conducted as well as externally conducted talent development programs such as the Management Associate Programme, the Financial Sector Talent Enrichment Programme (FSTEP) and programmes from The International Centre for Education in Islamic Finance (INCEIF).



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

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 doubled our efforts for customer service trainings to meet the changing and increasing demands of our external customers. The Branch Service Managers and Branch Managers Development Programmes are the key programmes which focus on leadership, soft skills and management.

## 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 35 branches in Kuala Lumpur which 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 standardised and systematic processes.





## Diversity and Inclusion

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

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

## Environmental Preservation

As part of our commitment to our employees and to society as a whole, we practise environmental preservation and maintain high standards of Occupational 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 and participate in road safety campaigns during festive seasons to promote civic consciousness and safe driving habits in our community.

## 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. Indeed, the children and youth are our future – and one day soon they will be captains of industries, government leaders and heads of families nurturing generations to come. We must do as much as we can to ensure they have our full support today.



## Scholarship

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

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

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

## Student Assistance

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

## School Building Fund

The Foundation actively pursues opportunities where it can play a part in improving the quality of education in the country today. Donations for the construction of bigger and better facilities for learning institutions help create an environment in which students can excel.

Towards this, the Foundation has made substantial donations to the various schools all over Malaysia.



## Community Welfare

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

The Foundation has made substantial donations to many charities over the years. In this fiscal year alone, to name a few: AUTORR Foundation Project which is a community centre for the rest and recreation for senior citizens and their families; centres and shelters for the mentally and physically handicapped like the NASOM Intervention Centre, Persatuan Daybreak in Perak, Pusat Harian Kanak-Kanak Spastik, Pertubuhan Perkhidmatan Intervensi Awal in South Johore, Pusat Penjagaan Kanak-Kanak Cacat in Petaling Jaya, Persatuan Penjagaan Kanak-Kanak Terencat Akal Johor Bahru, the Sibui, Miri and Sabah Divisions of the Society for the Blind; orphanages such as the Children's Protection Society, Ti Ratana Salak South KL, Fatima Home, Pertubuhan Anak-Anak Yatim in Batu Pahat; centres that provide medical aid to the needy such as Pusat Hemodialisis Mawar, Persatuan Penjagaan Kanak-Kanak Terencat Akal Johor Bahru, Persatuan Kebajikan HOPE Worldwide.

## Small Enterprise Programme

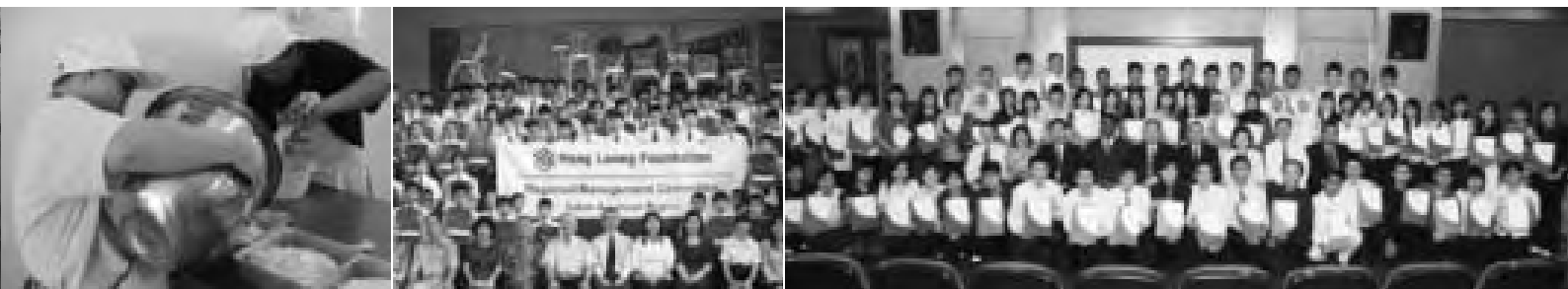
The people behind Hong Leong Group are at core entrepreneurs and we seek to propagate this same spirit of entrepreneurship to the community. By expanding our contribution to the community to include this new category, through our dealings with various charities on programmes designed to help the underprivileged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



Towards this end, we are working with various NGOs, among which are: Yayasan Salam Malaysia, Malaysia Aids Council, Shelter, Persatuan Kanak-Kanak Istimewa Kajang, United Voice and Rose Virginie Good Shepherd Centre.

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

The Bank which has a 20% stake in Chengdu City Commercial Bank Co., Ltd (CCCCB) also proactively responded to the Sichuan community in China, the site of the 7.9 magnitude earthquake which hit the Sichuan province in May 2008, by providing a donation of US\$100,000 to help community relief efforts.





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# Corporate Information

## DIRECTORS

YBHG TAN SRI QUEK LENG CHAN  
Chairman

MS YVONNE CHIA  
Group Managing Director / Chief Executive

ENCIK ZULKIFLEE HASHIM  
Executive Director

MR CHEW PENG CHENG

MR KWEK LENG HAI

MR KWEK LENG SENG

YBHG DATUK DR HUSSEIN AWANG

MR TAN KEOK YIN

YBHG DATO' MOHAMED NAZIM BIN ABDUL RAZAK

MR CHOONG YEE HOW

MR QUEK KON SEAN

## SECRETARIES

Ms Christine Moh Suat Moi  
(MAICSA No. 7005095)

Ms Christine Foo Choy Leng  
(MAICSA No. 0859798)

## AUDITORS

Messrs PricewaterhouseCoopers

Chartered Accountants

Level 10, 1 Sentral

Jalan Travers

Kuala Lumpur Sentral

50706 Kuala Lumpur

Tel : 03-21731188

Fax : 03-21731288

## REGISTRAR

Hong Leong Share Registration

Services Sdn Bhd

Level 5, Wisma Hong Leong

18 Jalan Perak, 50450 Kuala Lumpur

Tel : 03-21641818

Fax : 03-21643703

## REGISTERED OFFICE

Level 8, Wisma Hong Leong

18 Jalan Perak, 50450 Kuala Lumpur

Tel : 03-21648228

Fax : 03-21642503

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Sixty-seventh 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, 29 October 2008 at 11.00 a.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the year ended 30 June 2008.
2. To declare a final dividend of 15 sen per share less income tax at 25% for the year ended 30 June 2008 to be paid on 18 November 2008 to members registered in the Record of Depositors on 5 November 2008.
3. To approve the payment of Directors’ fees of RM520,000 for the year ended 30 June 2008, to be divided amongst the Directors in such manner as the Directors may determine.
4. To re-elect the following retiring Directors:-
  - (a) YBhg Tan Sri Quek Leng Chan
  - (b) YBhg Datuk Dr Hussein Awang
  - (c) Mr Tan Keok Yin
  - (d) Mr Quek Kon Sean
5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Bank and authorise the Directors to fix their remuneration.
6. As a special business, to consider and, if thought fit, pass the following ordinary motion:

### **Authority To Directors To Issue Shares**

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

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

(Resolution 1)

(Resolution 2)

(Resolution 3)

(Resolution 4)

(Resolution 5)

(Resolution 6)

(Resolution 7)

(Resolution 8)

## Notice of Annual General Meeting (continued)

**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 5 November 2008 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)

**Christine Foo Choy Leng** (MAICSA No. 0859798)

Secretaries

Kuala Lumpur

7 October 2008

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

The Ordinary Resolution, if passed, will give authority to the Directors of the Bank to issue ordinary shares of the Bank for such purposes as the Directors consider would be in the interest of the Bank. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Bank.

## Statement Accompanying Notice Of Annual General Meeting

*(Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad)*

### • Details of individuals who are standing for election as Directors

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



## Directors' Profile

### YBHG TAN SRI QUEK LENG CHAN

**Chairman /  
Non-Independent**

Aged 65, YBhg 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.

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

He is the Chairman & Chief Executive Officer of Hong Leong Company (Malaysia) Berhad ("HLCM"), Executive Chairman of Hong Leong Industries Berhad ("HLI"), Hong Leong Financial Group Berhad ("HLFG"), GuocoLand (Malaysia) Berhad ("GLM"), Hume Industries (Malaysia) Berhad ("HIMB"), Narra Industries Berhad and Camerlin Group Berhad ("CGB") and Chairman of HLG Capital Berhad ("HLGC"), Hong Leong Islamic Bank Berhad ("HLISB"), Hong Leong Assurance Berhad ("HLA") and Hong Leong Foundation.

YBhg Tan Sri Quek attended nine out of the ten Board Meetings of HLB held during the financial year ended 30 June 2008.

He has no conflict of interest with HLB and has no conviction for offences within the past ten years.

### MS YVONNE CHIA

**Group Managing  
Director /  
Chief Executive/  
Non-Independent**

Aged 55, Ms Yvonne Chia, a Malaysian, holds a Bachelor of Economics from the University of Malaya. An international banker, she started her career with Bank of America and held various positions in Hong Kong, Manila and Kuala Lumpur between 1976 to 1993; the last position being Vice-President and Country Head of Marketing. In March 1994, Ms Chia joined RHB Bank Berhad as General Manager and went on to become Chief Executive Officer/Managing Director of RHB Bank Berhad, a position she held until March 2002. She was made a Fellow of the 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. She is also a member of the Executive Committee of Directors and BCSC of HLB.

Ms Chia attended all the ten Board Meetings of HLB held during the financial year ended 30 June 2008.

Ms Chia is a Director of HLFG, a public listed company. Ms Chia is also a Director of Cagamas Holdings Berhad, HLISB and Hong Leong Tokio Marine Takaful Berhad, all public companies.

Ms Chia has no family relationship with other Directors or major shareholders of HLB, has no conflict of interest with HLB and no conviction for offences within the past ten years.

## Directors' Profile (continued)

### ENCIK ZULKIFLEE HASHIM

**Executive  
Director /  
Non-Independent**

Aged 49, Encik Zulkiflee Hashim, a Malaysian, holds a Diploma in Credit Management. He started his career in the banking sector with Citibank NA and was its Vice President in 1990. From December 1991 to 1997, he was with Deutsche Bank Malaysia and was its Deputy Managing Director responsible for Corporate Banking, International Trade Finance, Operations and Transaction Banking Services Department. Encik Zulkiflee was appointed Executive Director of HLB on 30 July 1998 and is also a member of the Executive Committee and BCSC of HLB.

Encik Zulkiflee is a Director of HLF Credit (Perak) Berhad, a public company. He attended all the ten Board Meetings of HLB held during the financial year ended 30 June 2008.

Encik Zulkiflee has no family relationship with other Directors or major shareholders of HLB, has no conflict of interest with HLB and has no conviction for offences within the past ten years.

### MR CHEW PENG CHENG

**Non-Executive  
Director /  
Independent**

Aged 67, Mr Chew Peng Cheng, a Malaysian, qualified as a Barrister-at-Law from Inner Temple, London. He started his working career by joining the civil service and served in the Sarawak State Attorney-General's Chambers in Kuching as a Deputy Public Prosecutor from 1964 to 1965. Thereafter, he commenced private practice as an advocate in the chambers of Messrs Battenberg & Talma in Sibul from 1965 to 1974. In 1966 he joined Wah Tat Bank Berhad (now known as WTB Corporation Sdn Bhd) ("WTB") as a Director/Secretary and in 1975 was promoted to the helm as Managing Director/Chief Executive Director. Upon the completion of the merger between WTB and HLB, Mr Chew resigned from WTB and joined HLB as an Executive Director on 13 June 2001. On the completion of his employment contract with HLB, Mr Chew assumed the position of Non-Executive Director of HLB. Mr Chew currently holds directorship position in various other family-related private limited companies.

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

Mr Chew attended nine out of the ten Board Meetings of HLB held during the financial year ended 30 June 2008.

Mr Chew has no family relationship with other directors or major shareholders of HLB, has no conflict of interest with HLB and has no conviction for offences within the past ten years.

### MR KWEK LENG HAI

**Non-Executive  
Director /  
Non-Independent**

Aged 55, Mr Kwek Leng Hai, a Singaporean, qualified as a chartered accountant and has extensive experience in financial services, manufacturing and property investment. He is the President and Chief Executive Officer of Guoco Group Limited ("GGL") and has been an Executive Director of GGL since 1990. He is also a director of GGL's key subsidiaries including GuocoLand Limited and GuocoLeisure Limited (formerly known as BIL International Limited), both public listed companies in Singapore, and CGB, a public listed company in Malaysia.

Mr Kwek was appointed to the Board of HLB on 3 January 1994. He is also a Director of HLISB and HLCM, both public companies in Malaysia.

He attended nine out of the ten Board Meetings of HLB held during the financial year ended 30 June 2008.

Mr Kwek has no conflict of interest with HLB and has no conviction for offences within the past ten years.

## Directors' Profile (continued)

### MR KWEK LENG SENG

**Non-Executive  
Director /  
Non-Independent**

Aged 50, Mr Kwek Leng Seng, a Singaporean, holds an Honours Degree in Law from the University of Buckingham, London. He was formerly the Group Managing Director of GuocoLand (Malaysia) Berhad, a position he held from end 1995 to October 2007. He was the Chairman of GLM Reit Management Sdn Bhd, the Manager of Tower Real Estate Investment Trust which is listed on the Main Board of Bursa Malaysia Securities Berhad, from April 2006 to October 2007. He joined Hong Leong Group Malaysia in 1987 as the Claims Manager and Director of HLA. Between 1990 to mid 1994, he assumed directorship and managerial positions in various subsidiaries of GLM. In mid 1994, he became the Managing Director of HLG Securities Sdn Bhd and held the position until October 1995.

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

He attended eight out of the ten Board Meetings of HLB held during the financial year ended 30 June 2008.

Tan Sri Quek Leng Chan, Mr Kwek Leng Hai, Mr Kwek Leng Seng and Mr Quek Leng Chye, a deemed major shareholder of HLB, are brothers. Mr Kwek has no conflict of interest with HLB and has no conviction for offences within the past ten years.

### YBHG DATUK DR HUSSEIN AWANG

**Non-Executive  
Director /  
Independent**

Aged 68, YBhg Datuk Dr Hussein Awang, a Malaysian, obtained a Bachelor of Medicine and Bachelor of Surgery Degree from the University of Melbourne in 1964. He was made a Fellow of the Royal Australasian College of Surgeons in 1972. YBhg Datuk is presently the Consultant Urological Surgeon at Tawakal Specialist Centre, Kuala Lumpur, a position he had held since May 1984. He was the Senior Consultant Urological Surgeon and Head of Department of Urology, General Hospital, Kuala Lumpur from 1976 to May 1984. He was also Honorary Professor of Surgery (Urology), Department of Surgery, University Kebangsaan Malaysia, Kuala Lumpur from 1978 to May 1984. YBhg Datuk is a Foundation Fellow of the Academy of Science Malaysia.

YBhg Datuk was appointed to the Board of HLB on 18 August 1994 and is the Chairman of Board Risk Management Committee ("BRMC") and a member of Board Audit Committee ("BAC"). He is also the Chairman of the Nomination Committee of HLB.

His directorships in other public companies include KPJ Healthcare Bhd, HLISB, HLA, Hong Leong Foundation and Tasek Corporation Berhad.

YBhg Datuk attended all the ten Board Meetings of HLB held during the financial year ended 30 June 2008.

YBhg Datuk has no family relationship with other Directors or major shareholders of HLB, has no conflict of interest with HLB and has no conviction for offences within the past ten years.

## Directors' Profile (continued)

### MR TAN KEOK YIN

**Non-Executive  
Director /  
Independent**

Aged 64, 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 an Executive Program in Management at the University of California, Berkeley in 1984 and a Program in International Boards and Directors at the Swedish Academy of Directors, Stockholm in 1995. He started his career with Bank Negara Malaysia ("BNM") in 1966 and served in various capacities in the Economics, Investments Departments and the Penang Branch of BNM. In 1977, he joined the Federation of Malaysian Manufacturers ("FMM") as Deputy Director and was appointed Chief Executive Officer in 1981 till 1999. He served on various Government Boards and Committees and participated actively as speaker and panelist at the World Economic Forum, ASEAN Economic Cooperation meetings and other international business forums. He was also a Management Board member of GS1 (one Global System) located in Brussels, which is an international body that develops and promotes the GS1 standards of article numbering, bar coding and electronic communication worldwide.

Mr Tan was appointed to the Board of HLB on 26 August 1994. He is the Chairman of the BAC and Remuneration Committee of HLB and is a member of the BRMC and Nomination Committee of HLB.

He is also a Director of Malaysian Pacific Industries Berhad, GLM and HLA.

Mr Tan attended all the ten Board Meetings of HLB held during the financial year ended 30 June 2008.

Mr Tan has no family relationship with other Directors or major shareholders of HLB, has no conflict of interest with HLB and has no conviction for any offences within the past ten years.

### YBHG DATO' MOHAMED NAZIM BIN ABDUL RAZAK

**Non-Executive  
Director /  
Independent**

Aged 46, YBhg Dato' Mohamed Nazim Bin Abdul Razak, a Malaysian, an architect by profession, graduated from the Architectural Association, School of Architecture, London. He served with YRM Architecture in London, a multi-disciplinary building design consultancy and has more than 16 years experience in the architectural field, 13 of which were in Kuala Lumpur. Besides being the Managing Director of NR Associates Sdn Bhd, he is also the Chairman of Bandar Tasik Semenyih Sdn Bhd, a property developer in the Klang Valley.

YBhg Dato' Mohamed Nazim was appointed as Non-Executive Independent member to the Board of HLB on 30 June 2003 and is a member of BAC of HLB.

YBhg Dato' attended nine out of the ten Board Meetings of HLB held during the financial year ended 30 June 2008.

YBhg Dato' is also a Director of HLGCC, ING Insurance Berhad and HLISB.

YBhg Dato' has no family relationship with other Directors or major shareholders of HLB, has no conflict of interest with HLB and has no conviction for offences within the past ten years.

## Directors' Profile (continued)

### MR CHOONG YEE HOW

**Non-Executive  
Director /  
Non-Independent**

Aged 52, Mr Choong Yee How, a Malaysian, obtained a Bachelor of Science (Honours) degree in 1979 and a Master of Business Administration in 1981 from the University of Otago, New Zealand. He has over 24 years of experience in banking, of which 23 were with Citibank in Malaysia. Mr Choong started his career with Citibank Malaysia as a Management Associate and was promoted to assume various senior positions within the Citibank Group; the last being President and Chief Executive Officer of Citibank Savings Inc, Philippines. Mr Choong is currently the President & Chief Executive Officer of HLFG.

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

Mr Choong attended all the ten Board Meetings of HLB held during the financial year ended 30 June 2008.

He is also a Director of HLFG and HLGC, both public listed companies, and HLA, HLISB and HLTMT, all public companies.

Mr Choong has no family relationship with other Directors or major shareholders of HLB, has no conflict of interest with HLB and has no conviction for offences within the past ten years.

### MR QUEK KON SEAN

**Non-Executive  
Director /  
Non-Independent**

Aged 28, Mr Quek Kon Sean, a Malaysian, obtained Bachelor of Science and Master of Science degrees in Economics from the London School of Economics. 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 HLFG. Prior to joining HLFG, Mr Quek was the Management Executive of HL Management Co Sdn Bhd.

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

Mr Quek attended nine out of the ten Board Meetings of HLB held during the financial year ended 30 June 2008.

He is also a Director of HLFG, HLGC and CGB, all public listed companies, and HLA, a public company.

Mr Quek is a son of Tan Sri Quek Leng Chan. Mr Quek has no conflict of interest with HLB and has no conviction for offences within the past ten 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 of BAC

### Mr Tan Keok Yin

(Chairman, Independent Non-Executive Director)

### YBhg Datuk Dr Hussein Awang

(Independent Non-Executive Director)

### YBhg Dato’ Mohamed Nazim Bin Abdul Razak

(Independent Non-Executive Director)

## Secretary

The Secretary to the BAC is Ms Hor Kam Peng who is the Group Chief Internal Auditor (“GCIA”) of HLB.

## 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 department.
- To review the report and findings of the internal audit department including any findings of internal investigations and the management’s response thereto.
- To review the adequacy and effectiveness of internal controls.
- 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 Chief Internal Auditor (“CIA”) as per Bank Negara Malaysia GP10.
- Other functions as may be agreed to by the BAC and the Board.

## Board Audit Committee Report (continued)

### Authority

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

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

### Meetings

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

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

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

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

### Activities

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

The BAC met nine (9) times during the financial year ended 30 June 2008. Mr Tan Keok Yin attended all the meetings held during the financial year, YBhg Datuk Dr Hussein Awang attended eight (8) meetings while YBhg Dato' Mohamed Nazim Bin Abdul Razak attended six (6) meetings. The Committee also had two (2) separate sessions with the external auditors without the presence of executive directors.

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.

## Board Audit Committee Report (continued)

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

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

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

### Internal Audit Division

The Group Internal Audit Division (“GIAD”) assists the BAC in the discharge of its duties and responsibilities. The GIAD employs a risk-based assessment approach in auditing the Bank’s Group business and operational activities. The high risk activities are given due attention and audited on a more regular basis while the rest are prioritized accordingly to the potential risk exposure and impact.

During the financial year ended 30 June 2008, the GIAD carried out its duties covering audit on operations, information technology system, credit, head office, branches, loan centre, business centre, mortgage sales centre, hire purchase centre, investigation and other assignments as directed. These audits are performed in line with the BNM guidelines under GP 10 and GPIS.

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

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



# Board Risk Management Committee Report

## Constitution

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

## Composition of BRMC

### **YBhg Datuk Dr Hussein Awang**

(Chairman, Independent Non-Executive Director)

### **Mr Tan Keok Yin**

(Independent Non-Executive Director)

### **Mr Choong Yee How**

(Non-Independent Non-Executive Director)

## Secretary

The Secretary to the BRMC is Ms Bridget Lee Pei Jun who is the Head of Integrated Risk Management & Compliance (“IRMC”) Division of HLB.

## Terms of Reference (“TOR”)

### *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.

## Board Risk Management Committee Report (continued)

### **Compliance**

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

### **Authority**

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

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

### **Meetings**

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

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

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

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

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

## Board Risk Management Committee Report (continued)

### Activities

The BRMC met six (6) times during the financial year ended 30 June 2008. YBhg Datuk Dr Hussein Awang and Mr Tan Keok Yin attended all the meetings held during the financial year while Mr Choong Yee How attended five (5) meetings.

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

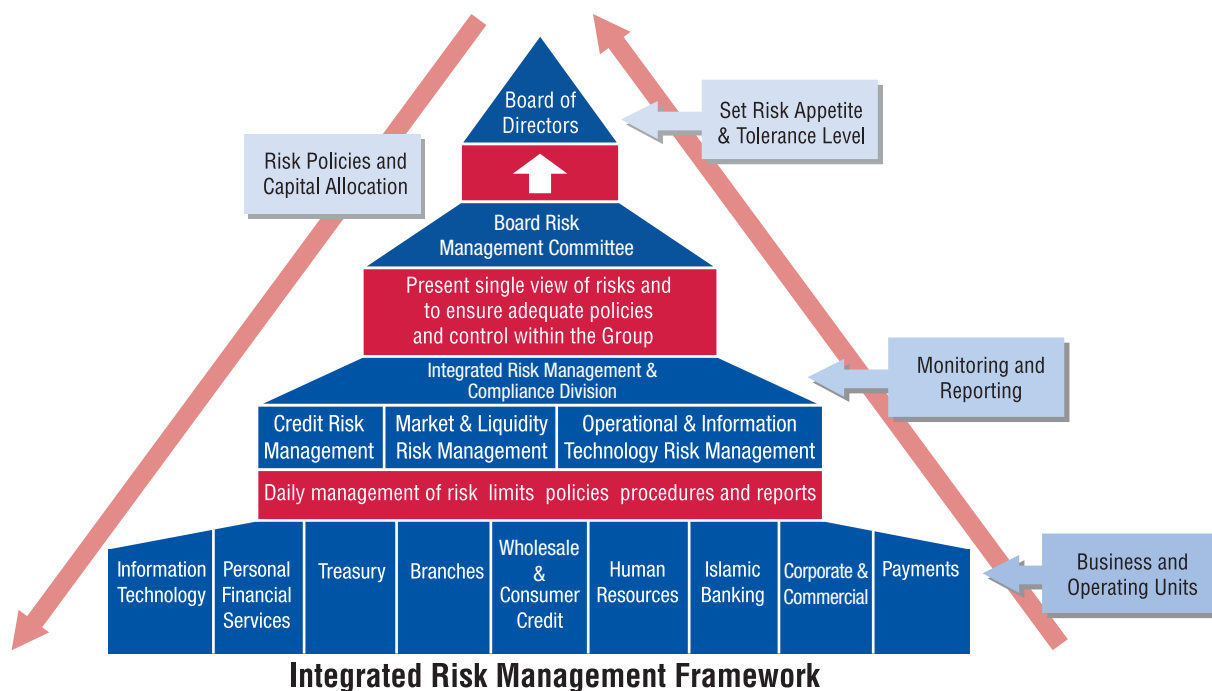
Bank-wide compliance matters are also deliberated in great length by the BRMC, including for the Bank's overseas branches, where the BRMC reviewed non-compliance incidences and recommendations for corrective actions. BRMC continuously provides oversight of the Group's compliance activities and ensuring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

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

### Risk Management

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

## Board Risk Management Committee Report (continued)



### Integrated Risk Management Framework

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.



### Hong Leong Bank Group's Key Risks

## Board Risk Management Committee Report (continued)

### 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 Chief Executive Officer, has been put in place. This Committee is tasked to oversee the implementation of Basel II individual work streams to ensure that the Bank is on track in meeting BNM's requirements and continuing enhancements related to Basel II. The implementation the Basel II roadmap will allow the Bank to fast track the evolution of its bankwide 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 an independent 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 behavioural 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 Company 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; 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 comprises eleven (11) directors, nine (9) of whom are non-executive. Of the non-executive directors, four (4) are independent. The profiles of the members of the Board are provided in the Annual Report.

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

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

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

## Corporate Governance & Internal Control (continued)

The Board met ten (10) times during the financial year ended 30 June 2008.

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

### III Supply of Information

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

All Directors have access to the advice and services of the Company Secretary as well as to independent professional advice, including the internal auditors.

### IV Appointments to the Board

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

YBhg Datuk Dr Hussein Awang (Chairman, Independent Non-Executive Director)

YBhg Tan Sri Quek Leng Chan (Non-Independent Non-Executive Director)

Mr Chew Peng Cheng (Independent Non-Executive Director)

Mr Tan Keok Yin (Independent Non-Executive Director)

Mr Kwek Leng Seng (Non-Independent Non-Executive Director)

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

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

## Corporate Governance & Internal Control *(continued)*

During the financial year ended 30 June 2008, two (2) Nomination Committee meetings were held and the meetings were attended by all the members.

The Nomination Committee reviewed the membership of the Board, the professional qualifications and experiences 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 Nomination Committee also reviewed the performance of the Board against its terms of reference and was satisfied that the Board was competent and effective in discharging its functions.

### V Re-election

All Directors are required to submit themselves for re-election every three (3) years.

### VI Training And Education

All Directors of the Company have completed the Mandatory Accreditation Programme.

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

The Director Manual which is given to every directors 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 2008, 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 Company also organised an in-house programme covering financial, legal and regulatory issues for its directors and senior management.

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



## Corporate Governance & Internal Control (continued)

### VII Other Board Committees

#### Board Credit Supervisory Committee (BCSC)

The members of the BCSC are as follows:-

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

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

During the financial year ended 30 June 2008, sixteen (16) BCSC meetings were held and all the meetings were attended by all the members.

#### Executive Committee (EXCO)

The members of the EXCO are YBhg Tan Sri Quek Leng Chan, Ms Yvonne Chia and Encik Zulkiflee Hashim and all matters were approved via circular resolutions. The duties and responsibilities of the EXCO 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.

## B. Directors' Remuneration

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

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

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

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

## Corporate Governance & Internal Control (continued)

During the financial year ended 30 June 2008, two (2) Remuneration Committee meetings were held and the meetings were attended by all the members.

### I Level and make-up of Remuneration

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.

For Non-Executive Directors, the level of remuneration reflects the level of responsibilities undertaken by them.

### II Procedure

The remuneration packages of all executives of the Group including Executive Directors are laid out in the Group's Human Resources Manual, which is 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 Annual General Meeting.

### III Disclosure

The aggregate remuneration of Directors for the financial year ended 30 June 2008 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	45,000	3,322,865	3,367,865
Non-Executive Directors	760,000	224,500	984,500

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

Range of Remuneration (RM)	Executive	Non-Executive
50,000 and below	-	-
50,001 – 100,000	-	3
100,001 – 150,000	-	4
150,001 – 200,000	-	2
200,001 – 850,000	-	-
850,001 – 900,000	1	-
900,001 -2,450,000	-	-
2,450,001 - 2,500,000	1	-

## Corporate Governance & Internal Control (continued)

### 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 and 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 Company has a website at [www.hlb.com.my](http://www.hlb.com.my) which the shareholders can access for information which includes corporate information, press releases, financial information, products information and even career opportunities.

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

Queries may be conveyed to the following person:

GENERAL MANAGER, IRM & COMPLIANCE

Tel No: 03-21642828

Fax No: 03-21641519

e-mail address: [Bridgetlee@hlbb.hongleong.com.my](mailto:Bridgetlee@hlbb.hongleong.com.my)

SENIOR MANAGER, STRATEGIC PLANNING

Tel No: 03-21642828

Fax No: 03-21641519

e-mail address: [JongAK@hlbb.hongleong.com.my](mailto:JongAK@hlbb.hongleong.com.my)

#### II Annual General Meeting ("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.

### D. Accountability and Audit

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

During the financial year ended 30 June 2008, the BAC met nine (9) times and BRMC met six (6) times. Details of attendance of the committee members are set out in the BAC Report appearing on pages 55 to 57 and BRMC Report appearing on pages 58 to 62 of the Annual Report.

## Corporate Governance & Internal Control (continued)

The BAC is supported by the Internal Audit Department whose principal responsibility is to conduct periodic audits on the 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.

### III Relationship with Auditors

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

## E. Statement On Internal Control

### I. Introduction

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

### II Responsibilities

The Board acknowledges its overall responsibility for the internal control environment and its effectiveness in safeguarding shareholders' interests and 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 utilisation and investment of the Group assets for effective risk return rewards or to limit losses. The Bank Group' Integrated Risk Management undertakes the implementation of risk scorecards in the business and support units to create continuous risk awareness, understanding of procedures and controls and thus, improve the overall control environment.

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

## Corporate Governance & Internal Control (continued)

### b. Internal Audit

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

### c. Compliance

Regulatory and operational compliance units are set up in the various lines of business and support departments. They oversee the day-to-day compliance to critical or major regulatory requirements, business and process controls. Any breach would be reported and dealt with and such information would be complied by Integrated Risk Management 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 GIA, external auditors and regulatory authorities.
- Policies on delegation and authority limits are strictly imposed to ensure a culture that respects integrity and honesty.
- Policies and procedures are set out in operation manuals and disseminated in the intranet for easy reference and in support of a learning environment.
- The competencies and professionalism of the Group's human resources are developed and maintained through rigorous recruitment process, training programs and a performance appraisal system. Proper guidelines are in place for the recruitment, promotion and termination of staff.

## Corporate Governance & Internal Control (continued)

### F. Directors' Responsibility In Financial Reporting

The 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 state of affairs of the Group and of the Bank as at the end of financial year and of the results and cash flow 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 2008, 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 2008

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 2008.

### PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of commercial banking business and in the provision of related services which includes Islamic Banking services, via its incorporated subsidiary, Hong Leong Islamic Bank Berhad. The Bank is also engaged in managing family takaful including investment-linked business and all classes of general takaful business, via its incorporated subsidiary, Hong Leong Tokio Marine Takaful Berhad.

Other subsidiary companies are primarily engaged in leasing activities, real property investment, and nominee services. There have been no significant changes in the principal activities of the Bank and its subsidiary companies during the financial year.

### BUSINESS STRATEGY FOR THE CURRENT FINANCIAL YEAR

The Board is pleased to report that during the current fiscal year, the Group has continued its steady pace of transformation towards becoming a highly profitable and competitive financial services organisation that is relevant to the changing, liberalising financial sector. There are clear and visible performance inflection points across the entire bank, in each of the business lines as well as strategic support units bank-wide.

The Group will continue to drive the current growth direction, and strengthen itself as a domestic core player and internationalise the franchise as a regional financial services entity. A summary of the key strategies is outlined below:

- To pursue topline growth, and the sustainability and quality of that growth including fee income expansion, and to align the entire machinery and operating capacity (people, systems, processes, resources, risk and credit) around the Group's customer segments;
- To grow new businesses and new capabilities, and expand the Group's franchise breadth and depth;
- To continue investing in talents and human resource, and transform the workforce as a key differentiator;
- To grow our overseas franchises in Singapore and Hong Kong, and position the Group as a strategic investor and key technical partner in Chengdu City Commercial Bank Co. Ltd, China ("Chengdu Bank") through the Group's 20% equity shareholding in Chengdu Bank;
- To be opportunistic and invest in new markets and new international opportunities;
- To enhance our franchise branding and community embedment, particularly through branch transformation activities; and
- To ride on Hong Leong Group strengths, from the Group's value creation track record, to capital strength and liquidity, entrepreneurialism, as well as global network and reach.

The management agenda for the new fiscal year will also see the Group grow its customer base across all business segments and accelerate cross-selling for a sustainable and diversified earnings portfolio. The Group will further consolidate its positioning as the main distribution franchise for the Hong Leong Financial Services Group.



## Directors' report

for the financial year ended 30 June 2008 (continued)

### OUTLOOK AND BUSINESS PLAN FOR NEW FINANCIAL YEAR

While the Group is cautiously optimistic of economic and market conditions going into the new financial year, it is cognisant of the economic cycle as well as market volatilities and challenges around the world and region. As the Group forges forward to grow its assets and loans, it will continue to maintain strict vigilance on enterprise risk management, and be disciplined in pursuing quality, sustainable growth. From a credit perspective, the Group remains vigilant on the credit cycle and is continuously enhancing the effectiveness of its risk management capability to keep pace with business growth.

### CORPORATE GOVERNANCE

Disclosures on:

- Statement on Corporate Governance
- The Board of Directors ("Board") responsibility and oversight
- Risk Management
- Internal Audit and Internal Control Activities

The above are disclosed in the annual report.

### 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 April 2008, Rating Agency Malaysia Berhad has reaffirmed the Bank's long-term rating at AA2 and its short-term rating at P1, with stable outlook.

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

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

Rating Agency	Date Accorded	Rating Classification
Rating Agency Malaysia Berhad	29 April 2008	Long Term Rating: AA2 Short Term Rating: P1
Moody's Investors Services Ltd	30 May 2008	Long Term Rating: A3 Short Term Rating: P1 Subordinated Debt: A3
Fitch Ratings Ltd	20 November 2007	Long Term Rating: BBB+ Short Term Rating: F2 Subordinated Debt: BBB
Standard & Poor's	16 September 2007	Long Term Rating: BBB + Short Term Rating: A-2

## Directors' report

for the financial year ended 30 June 2008 (continued)

### FINANCIAL RESULTS

	The Group RM'000	The Bank RM'000
Profit after taxation and zakat for the financial year attributable to:		
- Equity holders of the Bank	741,818	696,530
- Minority interest	43	-
	<hr/> 741,861	<hr/> 696,530

### DIVIDENDS

Since last financial year ended 30 June 2007, a final dividend of 15.0 sen per share less income tax at 26% amounting to RM160,840,924 in respect of the financial year ended 30 June 2007 was paid on 21 November 2007.

An interim dividend for the financial year ended 30 June 2008 of 9.0 sen per share less income tax at 26% amounting to RM96,504,554 was paid on 18 March 2008.

The final dividend recommended by the Directors in respect of the financial year ended 30 June 2008 is 15.0 sen per share less income tax at 25% amounting to RM168,639,338.

### SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 25 October 2007, the Bank announced that it had entered into a Share Subscription Agreement with Chengdu City Commercial Bank Co., Ltd ("Chengdu Bank") to subscribe for new shares in Chengdu Bank for a total subscription price of RMB1.95 billion or approximately RM877.5 million.

On 15 January 2008, the Bank announced that the China Banking Regulatory Committee had approved the application by the Bank to subscribe for 650 million shares in Chengdu Bank, representing 20% of the enlarged share capital of Chengdu Bank.

- (b) On 29 June 2006, the Bank announced that HLB Ventures Sdn Bhd ("HLBV"), Chew Geok Lin Nominees (Tempatan) Sendirian Berhad ("CGLN(T)"), Chew Geok Lin Nominees (Asing) Sendirian Berhad ("CGLN(A)") and Wah Tat Properties Sdn Bhd ("WTP") were placed under Member's Voluntary Liquidation pursuant to Section 254(1) of the Companies Act, 1965.

HLBV, CGLN(T) and CGLN(A) were dissolved on 9 August 2007. The liquidation of WTP is pending completion.

- (c) On 3 March 2008, the Bank announced that it had incorporated a wholly-owned subsidiary in Labuan known as HLB Principal Investments (L) Limited to undertake the business of holding of or dealing in offshore securities.

### SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

- (a) On 21 July 2008, the Bank announced that the proposed subscription of 20% equity interest in Chengdu Bank has completed.
- (b) On 3 July 2008, the Bank subscribed for 6,000,000 redeemable preference shares of USD0.01 each, issued at a premium of USD0.99 each, in HLB Principal Investments (L) Limited ("HLB PI"), a wholly-owned subsidiary of the Bank. The proceeds were used by HLB PI to invest in offshore securities. HLB PI commenced operations on 7 July 2008.

## Directors' report

for the financial year ended 30 June 2008 (continued)

### SHARE CAPITAL

During the financial year, there was no issuance of new ordinary shares. As at 30 June 2008, 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.

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

During the financial year, the Bank bought back 676,000 of its issued share capital, as stated in Note 25 (a) to the financial statements at an average price of RM5.81 per share from the open market. The share buyback transactions were financed by internally generated funds. As at 30 June 2008, the total number of shares bought was 81,090,700 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 (taking into consideration the 81,090,700 treasury shares pursuant to Section 67A of the Companies Act, 1965, but excluding the shares held by a trust for the Bank's ESOS scheme) as at 30 June 2008 was 1,499,016,334 shares.

### RESERVES AND PROVISIONS

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

### DIRECTORS

The Directors who served since the date of the last report are as follows:

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

In accordance with Article 113 of the Bank's Articles of Association, YBhg Tan Sri Quek Leng Chan, YBhg Datuk Dr Hussein Awang, Mr Tan Keok Yin and Mr Quek Kon Sean retire by rotation from the Board and being eligible, offer themselves for re-election.

## Directors' report

for the financial year ended 30 June 2008 (continued)

### DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares/warrants/options/convertible loan stocks/bonds in the Bank and/or related corporations during the financial year ended 30 June 2008, as recorded in the Register of Directors' Shareholdings kept by the Bank under Section 134 of the Companies Act, 1965, are as follows:

Shareholdings in which Directors have direct interests					
Number of ordinary shares/*shares issued or to be issued or acquired arising from the exercise of warrants/options/convertible loan stocks/bonds					
	Nominal value per share RM	As At 1 July 2007	Acquired	Sold	As At 30 June 2008
<b>Interests of YBhg Tan Sri Quek Leng Chan in:</b>					
Hong Leong Company (Malaysia) Berhad	1.00	390,000	-	-	390,000
Hong Leong Financial Group Berhad	1.00	4,989,600	-	-	4,989,600
Hume Industries (Malaysia) Berhad	1.00	2,000,000	-	-	2,000,000
Narra Industries Berhad	1.00	8,150,200	-	-	8,150,200
Guoco Group Limited	USD0.50	1,656,325	-	-	1,656,325
GuocoLand Limited ("GLL")	RM	15,047,224	5,015,741	-	20,062,965
GuocoLand (Malaysia) Berhad	0.50	3,266,280	1,210,000	-	4,476,280
GuocoLeisure Limited (formerly known as BIL International Limited)	USD0.20	150,000	-	-	150,000
<b>Interests of Mr Kwek Leng Hai in:</b>					
Hong Leong Company (Malaysia) Berhad	1.00	420,500	-	-	420,500
Guoco Group Limited	USD0.50	3,800,775	-	-	3,800,775
GuocoLand Limited	RM	19,851,140	6,617,046	-	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
HLC Capital Berhad	1.00	500,000	-	-	500,000
Hong Leong Bank Berhad	1.00	3,955,700	-	-	3,955,700
Lam Soon (Hong Kong) Limited	HKD1.00	2,300,000	-	-	2,300,000
GuocoLand (Malaysia) Berhad	0.50	226,800	-	-	226,800
<b>Interests of Ms Yvonne Chia in:</b>					
Hong Leong Bank Berhad	1.00	90,000	10,000	-	100,000
	1.00	-	6,800,000*	-	6,800,000*
GuocoLand (Malaysia) Berhad	0.50	10,000	-	-	10,000
Hong Leong Financial Group Berhad	1.00	-	10,000	-	10,000
<b>Interest of En Zulkiflee bin Hashim in:</b>					
Hong Leong Bank Berhad	1.00	-	1,500,000*	-	1,500,000*
<b>Interests of Mr Kwek Leng Seng in:</b>					
Hong Leong Company (Malaysia) Berhad	1.00	117,500	-	-	117,500
Hong Leong Bank Berhad	1.00	250,490	-	-	250,490
Hong Leong Financial Group Berhad	1.00	410,600	-	-	410,600
GuocoLand (Malaysia) Berhad	0.50	123,180	-	-	123,180

## Directors' report

for the financial year ended 30 June 2008 (continued)

### DIRECTORS' INTERESTS (continued)

Shareholdings in which Directors have direct interests					
Number of ordinary shares/*shares issued or to be issued or acquired arising from the exercise of warrants/ options/convertible loan stocks/bonds					
	Nominal value per share RM	As At 1 July 2007	Acquired	Sold	As At 30 June 2008
<b>Interests of Mr Chew Peng Cheng in:</b>					
Hong Leong Bank Berhad	1.00	819,873	-	-	<b>819,873</b>
<b>Interests of Mr Tan Keok Yin in:</b>					
Camerlin Group Berhad	1.00	10,000	-	10,000	-
<b>Interests of Mr Choong Yee How in:</b>					
Hong Leong Financial Group Berhad	-	8,000,000*	-	-	<b>8,000,000*</b>
<b>Interests of Mr Quek Kon Sean in:</b>					
Hong Leong Financial Group Berhad	-	2,500,000*	-	-	<b>2,500,000*</b>

Shareholdings in which Directors have indirect interests					
Number of ordinary shares/*shares issued or to be issued or acquired arising from the exercise of warrants/ options/convertible loan stocks/bonds					
	Nominal value per share RM	As At 1 July 2007	Acquired	Sold	As At 30 June 2008
<b>Interests of YBhg Tan Sri Quek Leng Chan in:</b>					
Hong Leong Company (Malaysia) Berhad	1.00	7,487,100	-	-	<b>7,487,100</b>
Hong Leong Fund Management Sdn Bhd	1.00	1,400,000	-	-	<b>1,400,000</b>
Hong Leong Financial Group Berhad	1.00	824,437,300	-	-	<b>824,437,300</b>
HLG Capital Berhad	1.00	92,590,545	-	-	<b>92,590,545</b>
Hong Leong Bank Berhad	1.00	955,910,600	5,779,500	-	<b>961,690,100</b>
Hong Leong Tokio Marine Takaful Berhad	1.00	65,000,000	-	-	<b>65,000,000</b>
Hong Leong Industries Berhad	0.50	183,651,737	1,248,000	-	<b>184,899,737</b>
Hong Leong Yamaha Motor Sdn Bhd	1.00	17,352,872	-	-	<b>17,352,872</b>
Guocera Tile Industries (Meru) Sdn Bhd	1.00	19,600,000	-	-	<b>19,600,000</b>
Hong Leong Maruken Sdn Bhd (In members' voluntary liquidation)	1.00	1,750,000	-	-	<b>1,750,000</b>
Guocera Tile Industries (Labuan) Sdn Bhd	1.00	6,545,001	-	-	<b>6,545,001</b>
Varinet Sdn Bhd (In members' voluntary liquidation)	1.00	10,560,627	-	-	<b>10,560,627</b>
RZA Logistics Sdn Bhd	1.00	7,815,980	-	-	<b>7,815,980</b>
Malaysian Pacific Industries Berhad	0.50	120,643,609	7,039,700	-	<b>127,683,309</b>
Carter Realty Sdn Bhd	1.00	7	-	-	<b>7</b>

## Directors' report

for the financial year ended 30 June 2008 (continued)

### DIRECTORS' INTERESTS (continued)

	Shareholdings in which Directors have indirect interests Number of ordinary shares/*shares issued or to be issued or acquired arising from the exercise of warrants/ options/convertible loan stocks/bonds				
	Nominal value per share RM	As At 1 July 2007	Acquired	Sold	As At 30 June 2008
<b>Interests of YBhg Tan Sri Quek Leng Chan in:</b>					
Carsem (M) Sdn Bhd	1.00	84,000,000	-	-	<b>84,000,000</b>
	100.00	22,400	-	-	<b>22,400</b>
		(Redeemable Preference Shares)			<b>(Redeemable Preference Shares)</b>
Guolene Packaging Industries Berhad (In members' voluntary liquidation)	1.00	69,924,134	-	69,924,134###	-
Hume Industries (Malaysia) Berhad	1.00	120,144,828	64,100	-	<b>120,208,928</b>
Narra Industries Berhad	1.00	38,314,000	-	-	<b>38,314,000</b>
Camerlin Group Berhad ("CGB")	0.01Δ	279,358,017	7,516,061@	-	<b>286,874,078</b>
		7,251,391*	-	7,251,391*ε	-
Guoco Group Limited	USD0.50	216,009,447	3,830,082	-	<b>219,839,529</b>
GuocoLand Limited ("GLL")	∞	425,361,240	145,597,080	-	<b>570,958,320</b>
		-	726,348*	-	<b>726,348*</b>
First Changi Development Ptd Ltd	∞	40,002,075	4,444,675	-	<b>44,446,750<sup>α</sup></b>
First Garden Development Pte Ltd	∞	72,000,000	-	-	<b>72,000,000</b>
Melville Park Development Pte Ltd (In members' voluntary liquidation)	∞	57,840,000	-	-	<b>57,840,000</b>
Sanctuary Land Pte Ltd	∞	54,000,000	-	-	<b>54,000,000</b>
Beijing Minghua Property Development Co Ltd (In members' voluntary liquidation)	Λ	150,000,000	-	-	<b>150,000,000</b>
Shanghai Xinhaozhong Property Development Co., Ltd	#	19,600,000	-	-	<b>19,600,000</b>
Beijing Jiang Sheng Property Development Co., Ltd	Λ	247,600,000	-	-	<b>247,600,000</b>
Nanjing Xinhaoning Property Development Co., Ltd	#	11,800,800	-	-	<b>11,800,800</b>
Nanjing Xinhaoxuan Property Development Co., Ltd	#	11,800,800	-	-	<b>11,800,800</b>
Nanjing MaHui Property Development Co., Ltd	Λ	271,499,800	-	-	<b>271,499,800</b>
Beijing Cheng Jian Dong Hua Real Estate Development Company Limited	Λ	-	50,000,000	-	<b>50,000,000</b>
Lam Soon (Hong Kong) Limited	HKD1.00	140,008,659	-	-	<b>140,008,659</b>
Kwok Wah Hong Flour Company Limited	HKD100.00	9,800	-	-	<b>9,800</b>
LS Golden Oils & Fats Limited	HKD1.00	200,000,000	-	-	<b>200,000,000</b>
M.C. Packaging Offshore Limited	HKD0.01	812,695	-	-	<b>812,695</b>
Lam Soon Ball Yamamura Inc.	NT\$10.00	15,221,823	-	15,221,823	-
Guangzhou Lam Soon Food Products Limited	Ω	6,570,000	-	-	<b>6,570,000</b>
Shekou Lam Soon Silo Company Limited	#	8,464,500	-	-	<b>8,464,500</b>
GuocoLand (Malaysia) Berhad	0.50	456,555,616	-	-	<b>456,555,616</b>
Guoman Hotel & Resort Holdings Sdn Bhd	1.00	277,000,000	-	-	<b>277,000,000</b>

## Directors' report

for the financial year ended 30 June 2008 (continued)

### DIRECTORS' INTERESTS (continued)

Shareholdings in which Directors have indirect interests					
Number of ordinary shares/*shares issued or to be issued or acquired arising from the exercise of warrants/ options/convertible loan stocks/bonds					
	Nominal value per share RM	As At 1 July 2007	Acquired	Sold	As At 30 June 2008
<b>Interests of YBhg Tan Sri Quek Leng Chan in:</b>					
JB Parade Sdn Bhd	1.00	18,000,000	-	-	<b>18,000,000</b>
	0.01	68,594,000 (Redeemable Preference Shares)	-	-	<b>68,594,000 (Redeemable Preference Shares)</b>
GuocoLeisure Limited (formerly known as BIL International Limited)	USD0.20	811,297,043	32,167,000	3,754,935	<b>839,709,108</b>
Oil Basins Limited	USD0.10	80,000 Class A Shares	-	-	<b>80,000 Class A Shares</b>
	USD0.10	40,000 Class B Shares	-	-	<b>40,000 Class B Shares</b>
	USD0.10	1,000 Class D Shares	-	-	<b>1,000 Class D Shares</b>
Bondway Properties Limited	GBP1.00	1,134,215 Ordinary-Voting Shares	-	-	<b>1,134,215 Ordinary-Voting Shares</b>
	GBP1.00	10,332 Ordinary-Non Voting Shares	-	-	<b>10,332 Ordinary-Non Voting Shares</b>
Denarau Corporation Limited	FJ\$1.00	1 Ordinary A Share	-	-	<b>1 Ordinary A Share</b>
	FJ\$1.00	30,000 Ordinary C Shares	-	-	<b>30,000 Ordinary C Shares</b>
	FJ\$1.00	5,000 Ordinary D Shares	-	-	<b>5,000 Ordinary D Shares</b>
	FJ\$1.00	14,632 Ordinary E Shares	-	-	<b>14,632 Ordinary E Shares</b>
	FJ\$1.00	5,000 Ordinary F Shares	-	-	<b>5,000 Ordinary F Shares</b>
<b>Interest of Mr Chew Peng Cheng in:</b>					
Hong Leong Bank Berhad	1.00	4,674,666	-	-	<b>4,674,666</b>



## Directors' report

for the financial year ended 30 June 2008 (continued)

### DIRECTORS' INTERESTS (continued)

Legend:

- ↻ Concept of par value was abolished with effect from 30 January 2006 pursuant to the Singapore Companies (Amendment) Act, 2005
- △ Capital contribution in RMB
- # Capital contribution in USD
- Ω Capital contribution in HKD
- ## Dissolved by members' voluntary liquidation
- △ Reduction in par value from RM1.00 to RM0.01 per share with effect from 22 May 2008
- @ Inclusive of shares arising from the conversion of convertible loan stocks ("Conversion"), additional shares from cash top up pursuant to the Conversion and exercise of warrants to subscribe for shares
- ε The convertible loan stocks and warrants of CGB expired on 16 July 2007 and 25 July 2007 respectively
- α Become a wholly owned subsidiary of GLL on 23 November 2007

### 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 has interests.

There was no arrangement during and at the end of the financial year which had the object 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.



## Directors' report

for the financial year ended 30 June 2008 (continued)

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

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.

During the financial year ended 30 June 2008, 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; and
- (c) 12,835,000 share options at an exercise price of RM5.99.

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

### OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE BANK

#### (I) As at the end of the financial year

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

## Directors' report

for the financial year ended 30 June 2008 (continued)

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

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

- (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 inadequate to any material extent;
  - (ii) which would render the values attributed to current assets in the financial statements 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 2008 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and
  - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Bank to meet their obligations as and when they fall due.

#### (III) As at the date of this report

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

### DISCLOSURE OF SHARIAH ADVISORY COMMITTEE

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

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

### HOLDING AND ULTIMATE HOLDING COMPANIES

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

## **Directors' report**

for the financial year ended 30 June 2008 (continued)

### **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 25 August 2008.

**Yvonne Chia**

**Zulkiflee Hashim**

Kuala Lumpur  
25 August 2008

## Balance Sheets

as at 30 June 2008

	Note	The Group		The Bank	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Assets</b>					
Cash and short-term funds	3	<b>22,264,674</b>	15,989,916	<b>20,392,853</b>	14,880,849
Securities purchased under resale agreements		<b>972,742</b>	3,495,309	<b>972,742</b>	3,495,309
Deposits and placements with banks and other financial institutions	4	<b>2,137,640</b>	9,147,158	<b>2,137,640</b>	9,047,158
Securities held at fair value through profit or loss	5	<b>4,856,645</b>	3,487,793	<b>3,976,030</b>	3,217,357
Available-for-sale securities	6	<b>5,829,084</b>	2,826,572	<b>5,004,554</b>	2,678,308
Held-to-maturity securities	7	<b>3,002,401</b>	2,466,821	<b>2,875,444</b>	2,034,009
Loans, advances and financing	8	<b>34,534,024</b>	31,654,774	<b>30,306,207</b>	27,965,985
Other assets	9	<b>1,881,660</b>	690,782	<b>2,098,308</b>	812,195
Statutory deposits with Bank Negara Malaysia	10	<b>1,315,464</b>	1,206,939	<b>1,170,500</b>	1,036,625
Investment in subsidiary companies	11	-	-	<b>592,041</b>	577,041
Prepaid lease payments	12	<b>6,286</b>	6,815	<b>5,403</b>	5,923
Property and equipment	13	<b>290,301</b>	245,554	<b>274,222</b>	229,390
Intangible assets	14	<b>33,262</b>	33,823	<b>31,509</b>	32,171
Deferred tax assets	15	<b>173,153</b>	164,961	<b>155,303</b>	149,078
General and family takaful funds	16	<b>163,869</b>	6,522	-	-
<b>Total assets</b>		<b>77,461,205</b>	71,423,739	<b>69,992,756</b>	66,161,398
<b>Liabilities</b>					
Deposits from customers	17	<b>62,547,947</b>	56,719,397	<b>56,466,660</b>	51,873,299
Deposits and placements of banks and other financial institutions	18	<b>6,372,576</b>	5,113,620	<b>5,593,576</b>	5,038,620
Obligations on securities sold under repurchase agreements		-	1,129,521	-	1,129,521
Bills and acceptances payable		<b>411,183</b>	566,251	<b>300,703</b>	562,495
Syndicated short term loan	20	-	509,850	-	509,850
Other liabilities	21	<b>2,090,609</b>	1,963,074	<b>2,010,521</b>	1,843,864
Subordinated obligations	22	<b>671,750</b>	671,657	<b>671,750</b>	671,657
General and family takaful funds	16	<b>3,232</b>	928	-	-
General and family takaful participants' funds	16	<b>160,637</b>	5,594	-	-
Provision for taxation		<b>70,033</b>	85,140	<b>26,413</b>	38,409
<b>Total liabilities</b>		<b>72,327,967</b>	66,765,032	<b>65,069,623</b>	61,667,715
<b>Equity</b>					
Share capital	23	<b>1,580,107</b>	1,580,107	<b>1,580,107</b>	1,580,107
Reserves	24	<b>4,208,474</b>	3,730,056	<b>4,042,067</b>	3,608,687
Less: Treasury shares	25	<b>(699,041)</b>	(695,111)	<b>(699,041)</b>	(695,111)
Minority interest		<b>43,698</b>	43,655	-	-
<b>Total equity</b>		<b>5,133,238</b>	4,658,707	<b>4,923,133</b>	4,493,683
<b>Total equity and liabilities</b>		<b>77,461,205</b>	71,423,739	<b>69,992,756</b>	66,161,398
<b>Commitments and contingencies</b>	37	<b>81,641,545</b>	76,619,264	<b>80,675,167</b>	76,266,690

## Income statements

for the financial year ended 30 June 2008

	Note	The Group		The Bank	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Interest income	26	<b>3,064,105</b>	2,864,161	<b>3,064,785</b>	2,882,081
Interest expense	27	<b>(1,684,946)</b>	(1,695,037)	<b>(1,688,293)</b>	(1,715,796)
Net interest income		<b>1,379,159</b>	1,169,124	<b>1,376,492</b>	1,166,285
Income from Islamic Banking business	28	<b>160,044</b>	143,827	-	-
		<b>1,539,203</b>	1,312,951	<b>1,376,492</b>	1,166,285
Non-interest income	29	<b>479,137</b>	455,239	<b>501,067</b>	439,100
		<b>2,018,340</b>	1,768,190	<b>1,877,559</b>	1,605,385
Overhead expenses	30	<b>(848,762)</b>	(748,017)	<b>(786,194)</b>	(686,761)
Operating profit before allowances		<b>1,169,578</b>	1,020,173	<b>1,091,365</b>	918,624
Allowances for losses on loans, advances and financing	31	<b>(158,527)</b>	(161,750)	<b>(141,335)</b>	(157,355)
Impairment losses on available-for-sale securities		<b>(1,009)</b>	(1,825)	<b>(1,009)</b>	(1,825)
<b>Profit before taxation and zakat</b>		<b>1,010,042</b>	856,598	<b>949,021</b>	759,444
Taxation and zakat	34	<b>(268,181)</b>	(237,149)	<b>(252,491)</b>	(212,413)
<b>Profit after taxation and zakat for the financial year</b>		<b>741,861</b>	619,449	<b>696,530</b>	547,031
<b>Attributable to:</b>					
Equity holders of the Bank		<b>741,818</b>	620,794	<b>696,530</b>	547,031
Minority interest		<b>43</b>	(1,345)	-	-
		<b>741,861</b>	619,449	<b>696,530</b>	547,031
<b>Earnings per share attributable to ordinary equity holders of the Bank (sen):</b>					
- basic/fully diluted	35	<b>51.2</b>	42.4	<b>48.1</b>	37.4
<b>Dividend per share (net)*:</b>					
- interim dividend of 9.0 sen (2007: 9.0 sen) less tax at 26% (2007: 27%)		<b>6.7</b>	6.6	<b>6.7</b>	6.6
- final dividend of 15.0 sen (2007: 15.0 sen) less tax at 26% (2007: 27%)		<b>11.1</b>	11.0	<b>11.1</b>	11.0
		<b>17.8</b>	17.6	<b>17.8</b>	17.6

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

## Statements of changes in equity

for the financial year ended 30 June 2008

### The Group

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

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

## Statements of changes in equity

for the financial year ended 30 June 2008 (continued)

### The Group

	Attributable to equity holders of the Bank											
	Note	Share capital	Share premium	Treasury shares*	Statutory reserve	Fair value reserve	Share		Retained profits	Total	Minority interest	Total equity
							options reserve	Exchange fluctuation reserve				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 July 2006		1,580,107	539,664	(491,025)	1,626,403	(79,608)	-	35,363	1,170,005	4,380,909	-	4,380,909
Currency translation differences		-	-	-	-	-	-	3,748	-	3,748	-	3,748
Net fair value changes in available-for-sale securities, net of tax		-	-	-	-	70,100	-	-	-	70,100	-	70,100
Income and expense recognised directly in equity		-	-	-	-	70,100	-	3,748	-	73,848	-	73,848
Profit after taxation and zakat		-	-	-	-	-	-	-	620,794	620,794	(1,345)	619,449
Total recognised income and expense for the financial year		-	-	-	-	70,100	-	3,748	620,794	694,642	(1,345)	693,297
Transfer to statutory reserve		-	-	-	165,163	-	-	-	(165,163)	-	-	-
Purchase of treasury shares	25	-	-	(204,086)	-	-	-	-	-	(204,086)	-	(204,086)
Dividends paid:												
- final dividend for year ended 30 June 2006	36	-	-	-	-	-	-	-	(160,410)	(160,410)	-	(160,410)
- interim dividend for year ended 30 June 2007	36	-	-	-	-	-	-	-	(96,003)	(96,003)	-	(96,003)
Shares in subsidiary issued to minority interest		-	-	-	-	-	-	-	-	-	45,000	45,000
Balance as at 30 June 2007		1,580,107	539,664	(695,111)	1,791,566	(9,508)	-	39,111	1,369,223	4,615,052	43,655	4,658,707

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

## Statements of changes in equity

for the financial year ended 30 June 2008 (continued)

### The Bank

	Note	Non-distributable					Distributable			
		Share capital	Share premium	Treasury shares*	Statutory reserve	Fair value reserve	Share options reserve	Exchange fluctuation reserve	Retained profits	Total equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 July 2007		1,580,107	539,664	(695,111)	1,741,612	(9,720)	-	39,111	1,298,020	4,493,683
Currency translation differences		-	-	-	-	-	-	(3,582)	-	(3,582)
Net fair value changes in available-for-sale securities, net of tax		-	-	-	-	(4,943)	-	-	-	(4,943)
Income and expense recognised directly in equity		-	-	-	-	(4,943)	-	(3,582)	-	(8,525)
Profit after taxation and zakat		-	-	-	-	-	-	-	696,530	696,530
Total recognised income and expense for the financial year		-	-	-	-	(4,943)	-	(3,582)	696,530	688,005
Purchase of treasury shares	25	-	-	(3,930)	-	-	-	-	-	(3,930)
Dividends paid:										
- final dividend for year ended 30 June 2007	36	-	-	-	-	-	-	-	(160,840)	(160,840)
- interim dividend for year ended 30 June 2008	36	-	-	-	-	-	-	-	(96,505)	(96,505)
Option charge arising from ESOS granted during the year		-	-	-	-	-	2,720	-	-	2,720
<b>Balance as at 30 June 2008</b>		<b>1,580,107</b>	<b>539,664</b>	<b>(699,041)</b>	<b>1,741,612</b>	<b>(14,663)</b>	<b>2,720</b>	<b>35,529</b>	<b>1,737,205</b>	<b>4,923,133</b>
Balance as at 1 July 2006		1,580,107	539,664	(491,025)	1,604,855	(77,795)	-	35,363	1,144,159	4,335,328
Currency translation differences		-	-	-	-	-	-	3,748	-	3,748
Net fair value changes in available-for-sale securities, net of tax		-	-	-	-	68,075	-	-	-	68,075
Income and expense recognised directly in equity		-	-	-	-	68,075	-	3,748	-	71,823
Profit after taxation and zakat		-	-	-	-	-	-	-	547,031	547,031
Total recognised income and expense for the financial year		-	-	-	-	68,075	-	3,748	547,031	618,854
Transfer to statutory reserve		-	-	-	136,757	-	-	-	(136,757)	-
Purchase of treasury shares	25	-	-	(204,086)	-	-	-	-	-	(204,086)
Dividends paid:										
- final dividend for year ended 30 June 2006	36	-	-	-	-	-	-	-	(160,410)	(160,410)
- interim dividend for year ended 30 June 2007	36	-	-	-	-	-	-	-	(96,003)	(96,003)
<b>Balance as at 30 June 2007</b>		<b>1,580,107</b>	<b>539,664</b>	<b>(695,111)</b>	<b>1,741,612</b>	<b>(9,720)</b>	<b>-</b>	<b>39,111</b>	<b>1,298,020</b>	<b>4,493,683</b>

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



## Cash flow statements

for the financial year ended 30 June 2008

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation and zakat	<b>1,010,042</b>	856,598	<b>949,021</b>	759,444
Adjustment for:				
Depreciation of property and equipment	<b>44,775</b>	39,548	<b>43,798</b>	38,749
Amortisation of prepaid lease payments	<b>84</b>	110	<b>75</b>	101
Amortisation of intangible assets	<b>12,997</b>	14,629	<b>12,591</b>	14,441
Net gain on disposal of property and equipment	<b>(625)</b>	(1)	<b>(609)</b>	(17)
Property and equipment written off	<b>52</b>	89	<b>52</b>	89
Intangible assets written off	<b>87</b>	-	<b>87</b>	-
Gain from redemption of held-to-maturity securities	<b>(1,966)</b>	(948)	<b>(1,966)</b>	(948)
Gain from disposal of available-for-sale securities	<b>(6,759)</b>	(38,715)	<b>(6,759)</b>	(38,715)
Gain from disposal of securities held at fair value through profit or loss	<b>(21,937)</b>	(57,163)	<b>(21,937)</b>	(57,163)
Allowances for losses on loans, advances and financing	<b>245,422</b>	244,123	<b>223,521</b>	236,454
Net unrealised (gain)/loss on revaluation of securities held at fair value through profit or loss and derivatives	<b>2,499</b>	10,018	<b>(20,913)</b>	25,387
Net realised loss on fair value changes arising from fair value hedges	<b>30,856</b>	17,157	<b>27,212</b>	17,157
Impairment losses on securities	<b>1,009</b>	1,825	<b>1,009</b>	1,825
Accretion of discount less amortisation of premium	<b>(3,783)</b>	18,328	<b>(3,783)</b>	18,328
Interest expense on subordinated obligations	<b>34,201</b>	35,551	<b>34,201</b>	35,551
Interest expense on syndicated loans	<b>11,678</b>	16,695	<b>11,678</b>	16,695
Interest income from available-for-sale securities	<b>(110,839)</b>	(154,195)	<b>(110,839)</b>	(154,195)
Interest income from held-to-maturity securities	<b>(35,982)</b>	(85,144)	<b>(35,982)</b>	(85,144)
Dividend income from available-for-sale and held-to-maturity securities	<b>(3,123)</b>	(2,670)	<b>(3,123)</b>	(2,670)
Share option expenses	<b>2,720</b>	-	<b>2,720</b>	-
Operating profit before working capital changes	<b>1,211,408</b>	915,835	<b>1,100,054</b>	825,369

## Cash flow statements

for the financial year ended 30 June 2008 (continued)

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>(Increase)/decrease in operating assets</b>				
Deposits and placements with				
banks and other financial institutions	<b>7,009,518</b>	(7,662,346)	<b>6,909,518</b>	(7,202,346)
Securities purchased under resale agreements	<b>2,522,567</b>	1,001,505	<b>2,522,567</b>	1,001,505
Securities held at fair value through profit or loss	<b>(1,346,915)</b>	450,884	<b>(736,736)</b>	592,293
Loans, advances and financing	<b>(3,122,684)</b>	(3,278,829)	<b>(2,561,755)</b>	(3,532,532)
Other assets	<b>(1,224,233)</b>	(331,016)	<b>(1,292,412)</b>	(492,909)
Statutory deposits with Bank Negara Malaysia	<b>(108,525)</b>	(325,415)	<b>(133,875)</b>	(318,525)
General and family takaful funds	<b>(157,347)</b>	(6,522)	-	-
<b>Increase/(decrease) in operating liabilities</b>				
Deposits from customers	<b>5,828,550</b>	12,443,275	<b>4,593,361</b>	12,814,351
Deposits and placements of banks and other financial institutions	<b>1,258,956</b>	2,317,360	<b>554,956</b>	2,377,361
Obligations on securities sold under repurchase agreements	<b>(1,129,521)</b>	(5,742,878)	<b>(1,129,521)</b>	(5,742,878)
Bills and acceptances payable	<b>(155,068)</b>	20,042	<b>(261,792)</b>	20,938
Other liabilities	<b>127,535</b>	1,028,368	<b>166,657</b>	908,813
General and family takaful funds	<b>2,304</b>	928	-	-
General and family takaful participants' funds	<b>155,043</b>	5,594	-	-
Cash generated from operations	<b>10,871,588</b>	836,785	<b>9,731,022</b>	1,251,440
Income taxes and zakat paid	<b>(289,257)</b>	(255,513)	<b>(268,350)</b>	(225,000)
<b>Net cash generated from operating activities</b>	<b>10,582,331</b>	581,272	<b>9,462,672</b>	1,026,440
<b>Cash flows from investing activities</b>				
Net (purchases)/proceeds of available-for-sale securities	<b>(2,892,448)</b>	3,286,445	<b>(2,216,071)</b>	3,253,298
Net (purchases)/proceeds of held-to-maturity securities	<b>(493,849)</b>	(1,369,268)	<b>(799,704)</b>	(1,525,793)
Proceeds from sale of prepaid lease payments	<b>445</b>	-	<b>445</b>	-
Purchase of property and equipment	<b>(96,065)</b>	(72,476)	<b>(94,818)</b>	(71,097)
Proceeds from sale of property and equipment	<b>7,294</b>	1,029	<b>6,923</b>	922
Purchase of intangible assets	<b>(12,523)</b>	(17,144)	<b>(12,016)</b>	(15,304)
Dividend received on available-for-sale and held-to-maturity securities	<b>3,123</b>	2,670	<b>3,123</b>	2,670
Investment in subsidiary company	-	-	<b>(15,000)</b>	(55,000)
<b>Net cash generated from/(used in) investing activities</b>	<b>(3,484,023)</b>	1,831,256	<b>(3,127,118)</b>	1,589,696

## Cash flow statements

for the financial year ended 30 June 2008 (continued)

	Note	The Group		The Bank	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Cash flows from financing activities</b>					
Dividend paid		(257,345)	(256,413)	(257,345)	(256,413)
Purchase of treasury shares		(3,930)	(204,086)	(3,930)	(204,086)
Interest paid on subordinated obligations		(34,999)	(35,510)	(34,999)	(35,510)
Interest paid on syndicated loan		(13,783)	(14,590)	(13,783)	(14,590)
(Repayment of)/proceeds from syndicated loans		(517,425)	507,745	(517,425)	507,745
Issue of shares to minority interest		-	45,000	-	-
<b>Net cash generated from/(used in) financing activities</b>		<b>(827,482)</b>	42,146	<b>(827,482)</b>	(2,854)
<b>Net increase in cash and cash equivalents</b>		<b>6,270,826</b>	2,454,674	<b>5,508,072</b>	2,613,282
<b>Effects of exchange rate changes</b>		<b>3,932</b>	(29,773)	<b>3,932</b>	(26,512)
<b>Cash and cash equivalents at the beginning of year</b>		<b>15,989,916</b>	13,565,015	<b>14,880,849</b>	12,294,079
<b>Cash and cash equivalents at the end of year</b>	3	<b>22,264,674</b>	15,989,916	<b>20,392,853</b>	14,880,849

# Notes to the financial statements

for the financial year ended 30 June 2008

## 1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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 50.

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

The new accounting standards, amendments to published standards and interpretations to existing standards effective for the Group and the Bank for the financial year ended 30 June 2008 and applicable to the Group and the Bank are as follows:

- FRS 107 Cash Flow Statements
- FRS 112 Income Taxes
- FRS 117 Leases
- FRS 118 Revenue
- FRS 124 Related Party Disclosures
- Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operations
- FRS 137 Provisions, Contingent Liabilities and Contingent Assets
- IC Interpretation 8 Scope of FRS 2

All changes in accounting policies have been made in accordance with the transition provisions in the respective standards, amendments to published standards and interpretations. All standards, amendments and interpretations adopted by the Group and the Bank require retrospective application.

A summary of the impact of the new accounting standards, amendments to published standards and interpretations to existing standards on the financial statements of the Group and the Bank is set out in Note 51.

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

#### (b) Standard that is applicable to the Group and the Bank but not yet effective

The standard that is applicable to the Group and the Bank but which the Group and the Bank have not early adopted, is as follows:

- FRS 139 Financial Instruments: Recognition and Measurement (effective for accounting period beginning on or after 1 January 2010). The Group and the Bank will apply this standard when effective. The Group and the Bank have applied the transitional provision in FRS 139 which exempts entities from disclosing the possible impact arising from the initial application of this standard on the financial statements of the Group and the Bank.

### 2 SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below have been used consistently in dealing with items which are considered material in relation to the financial statements.

#### (a) Accounting convention

The financial statements of the Group and the Bank have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies and comply with MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965.

#### (b) 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 122<sub>2004</sub> “Business Combinations”

## **2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(b) Economic entities in the Group (continued)**

#### **(i) Subsidiaries (continued)**

- internal group reorganisations, as defined in FRS 122<sub>2004</sub>, consolidated on/after 1 July 2001 but with agreement dates before 1 January 2006 where:
  - the ultimate shareholders remain the same, and the rights of each such shareholder, relative to the others, are unchanged; and
  - the minorities' share of net assets of the Group is not altered by the transfer.
- business combinations involving entities or businesses under common control with agreement dates on/after 1 January 2006.

The Group has taken advantage of the exemption provided by FRS 122<sub>2004</sub> and FRS 3 to apply these Standards prospectively. Accordingly, business combinations entered into prior to the respective effective dates have not been restated to comply with these Standards.

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

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

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

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

#### **(ii) Associates**

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

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) Recognition of interest and Islamic financing income

##### Recognition of interest income from loans and advances

Interest income is recognised on an accrual basis. Interest income on housing and term loan is recognised by reference to rest periods which are either daily, monthly or yearly. The “rule of 78” method is applied in respect of income earned on hire purchase, block discounting and leasing.

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 policy on suspension of interest income is in general more stringent than that laid down in BNM’s “Guidelines on the Classification of Non-performing Loans and Provision for Substandard, Bad and Doubtful Debts” (“BNM/GP3”). This is also applicable to Islamic financing income.

##### 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.

#### (d) Recognition of fees and other income

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

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

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

## **2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(d) Recognition of fees and other income (continued)**

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

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

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

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

### **(e) 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, advances and financing under the revised Guideline on Financial Reporting for Licensed Institutions ("BNM/GP8"). The Group and the Bank will be deemed to be in compliance with the requirement on the impairment of loans, advances and financing under the revised BNM/GP8 if the allowances for non-performing loans, advances and financing are computed based on BNM/GP3 requirements, which is consistent with the accounting policy adopted in the previous financial year.

### **(f) Sale and repurchase agreements**

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

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



## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (f) Sale and repurchase agreements (continued)

Under the Islamic convention, the commitment on securities sold under Sell and Buy Back Agreement (“SBBA”) is the promise to repurchase securities which the Group has sold from its portfolio at a future date. Such transactions and the commitment to repurchase the securities are treated as a contingent liability of the Group.

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

#### (g) 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 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 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.

##### (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.

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (g) Securities portfolio (continued)

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

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

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

The fair values of quoted securities are based on quoted prices in active markets. If the market for an instrument is not active (and for unquoted securities), the Group and the Bank establish fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

#### (h) 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
Leasehold buildings	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

## **2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(h) Property and equipment and depreciation (continued)**

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.

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

Goodwill is allocated to cash-generating units 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.

As at 30 June 2008, there is no goodwill on consolidation.

### **(j) 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.

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (j) Leases (continued)

*Where the Bank/Group is the lessee (continued)*

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.

The Group and the Bank had previously classified a lease of land as finance lease and had recognised the amount of prepaid lease payments as leasehold land within its property and equipment. In accordance with the transition provisions of FRS 117 - Leases, the Group and the Bank treat such a lease as an operating lease, with the unamortised carrying amount classified as prepaid lease payments and the effect of this change is applied retrospectively.

*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.

#### (k) Impairment of assets

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

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

#### (l) 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.

## **2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(l) Income taxes (continued)**

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.

### **(m) Derivative financial instruments and hedging**

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

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

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.

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (m) Derivative financial instruments and hedging (continued)

##### (i) Fair value hedge

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

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

##### (ii) Cash flow hedge

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

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

##### (iii) Net investment hedge

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

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

##### (iv) Derivatives that do not qualify for hedge accounting

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

#### (n) 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.

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (n) Currency translations (continued)

##### (ii) Foreign currency transactions and balances

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

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

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

##### (iii) Group companies

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

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

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

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

#### (o) 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.



## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (o) Employee benefits (continued)

##### *Short term employee benefits (continued)*

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.

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.

#### (p) 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.



## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (p) Family takaful fund (continued)

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

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

#### (q) 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.

## **2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(q) General takaful fund (continued)**

#### *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) 1/365<sup>th</sup> 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.

### **(r) Impairment of securities portfolio**

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

- (i) Securities carried at amortised cost

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

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

## **2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(r) Impairment of securities portfolio (continued)**

#### **(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.

### **(s) Foreclosed properties**

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

### **(t) 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.

### **(u) 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.

### **(v) Cash and cash equivalents**

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

### **(w) 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 2008 (continued)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (x) Treasury shares

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

### 3 CASH AND SHORT-TERM FUNDS

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cash and balances with banks and other financial institutions	415,497	361,455	429,016	353,849
Money at call and deposit placements maturing within one month	21,849,177	15,628,461	19,963,837	14,527,000
	<b>22,264,674</b>	15,989,916	<b>20,392,853</b>	14,880,849

### 4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Bank Negara Malaysia (“BNM”)	200,000	4,281,262	200,000	4,181,262
Licensed banks	1,657,078	4,541,312	1,657,078	4,541,312
Licensed investment banks	100,000	305,000	100,000	305,000
Other financial institutions	180,562	19,584	180,562	19,584
	<b>2,137,640</b>	9,147,158	<b>2,137,640</b>	9,047,158

### 5 SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b><i>Held-for-trading</i></b>				
<b>Money market instruments</b>				
BNM bills	1,170,850	1,506,638	793,682	1,249,510
Malaysian Government treasury bills	129,937	102,211	129,937	102,211
Malaysian Government securities	195,689	125,232	195,689	125,232
Malaysian Government investment certificates	55,188	55,066	-	25,013
Cagamas bonds	-	79,045	-	79,045
Bankers' acceptances and Islamic accepted bills	2,862,379	1,132,891	2,503,847	1,101,223
Negotiable instruments of deposit	306,353	111,395	265,676	160,067
Khazanah bonds	47,334	-	-	-

**Notes to the financial statements**  
for the financial year ended 30 June 2008 (continued)

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Quoted securities</b>				
Shares quoted in Malaysia	<b>74,052</b>	130,619	<b>72,336</b>	130,360
	<b>4,841,782</b>	3,243,097	<b>3,961,167</b>	2,972,661
<b>Unquoted securities</b>				
Private debt securities	<b>14,863</b>	239,444	<b>14,863</b>	239,444
	<b>4,856,645</b>	3,482,541	<b>3,976,030</b>	3,212,105
<b>Designated at fair value</b>				
Loan stocks quoted in Malaysia	-	5,252	-	5,252
	<b>4,856,645</b>	3,487,793	<b>3,976,030</b>	3,217,357

**6 AVAILABLE-FOR-SALE SECURITIES**

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Money market instruments</b>				
Government treasury bills	<b>432,902</b>	349,600	<b>432,902</b>	349,600
Malaysian Government securities	<b>1,880,380</b>	1,524,880	<b>1,880,380</b>	1,524,880
Malaysian Government investment certificates	<b>1,505,134</b>	-	<b>852,909</b>	-
Other Government securities	<b>8,343</b>	8,715	<b>8,343</b>	8,715
Khazanah bonds	<b>9,531</b>	-	-	-
Cagamas bonds	<b>972,495</b>	754,860	<b>873,474</b>	654,475
Negotiable instrument of deposits	<b>16,760</b>	-	<b>16,760</b>	-
	<b>4,825,545</b>	2,638,055	<b>4,064,768</b>	2,537,670
<b>Quoted securities</b>				
Shares quoted in Malaysia	<b>693</b>	6,130	<b>693</b>	2,131
Loan stocks quoted in Malaysia	<b>2,346</b>	3,424	<b>2,346</b>	3,424
Foreign currency bonds	<b>769,054</b>	63,857	<b>769,054</b>	63,857
	<b>5,597,638</b>	2,711,466	<b>4,836,861</b>	2,607,082
<b>Unquoted securities</b>				
Private and Islamic debt securities	<b>231,446</b>	115,106	<b>167,693</b>	71,226
	<b>5,829,084</b>	2,826,572	<b>5,004,554</b>	2,678,308

The Bank has designated fair value hedge for certain Malaysian Government securities and Cagamas bonds using interest rate futures and interest rate swaps. The total fair value loss of the said outstanding interest rate futures and interest rate swaps relating to the hedges at 30 June 2008 amounted to RM2,219,793 (2007: RM22,442,759).

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 7 HELD-TO-MATURITY SECURITIES

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Money market instruments</b>				
Malaysian Government securities	752,186	107,353	752,186	107,353
Malaysian Government investment certificates	60,305	171,059	-	33,991
Cagamas bonds	230,314	275,033	230,314	-
Negotiable instruments of deposit	1,718,179	1,781,273	1,718,179	1,781,273
	<b>2,760,984</b>	2,334,718	<b>2,700,679</b>	1,922,617
<b>Quoted securities</b>				
Foreign currency bonds	-	10,242	-	10,242
	<b>2,760,984</b>	2,344,960	<b>2,700,679</b>	1,932,859
<b>Unquoted securities</b>				
Shares*	37,402	37,594	36,827	37,019
Loan stocks	9,163	21,559	9,163	21,559
Private and Islamic debt securities	211,799	83,390	145,722	63,254
	<b>3,019,348</b>	2,487,503	<b>2,892,391</b>	2,054,691
Accumulated impairment losses	(16,947)	(20,682)	(16,947)	(20,682)
	<b>3,002,401</b>	2,466,821	<b>2,875,444</b>	2,034,009

\* As allowed under revised BNM/GP8

### 8 LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Overdrafts	2,435,782	2,624,460	2,425,797	2,618,889
Term loans/financing:				
- Housing and shop loans/financing	19,445,381	16,559,484	16,252,857	14,900,084
- Syndicated term loans/financing	1,422,294	1,526,094	1,206,734	1,190,997
- Hire purchase receivables	6,167,037	5,695,681	3,195,623	2,987,444
- Lease receivables	22,602	29,374	-	-
- Other term loans/financing	2,512,094	1,721,550	2,370,894	1,545,907
Credit/charge card receivables	1,925,986	1,667,901	1,925,986	1,667,901
Bills receivable	357,255	310,842	354,769	310,842
Trust receipts	139,725	150,249	139,725	150,249
Claims on customers under acceptance credits	3,057,364	3,023,892	2,861,952	2,875,309
Block discounting	8,422	18,480	8,396	17,784
Revolving credit	799,314	783,949	799,314	783,949
Staff loans/financing	102,020	112,345	101,979	112,259
Other loans/financing	48,339	53,354	47,561	52,178
	<b>38,443,615</b>	34,277,655	<b>31,691,587</b>	29,213,792
Unearned interest and income	(3,001,136)	(1,760,915)	(581,463)	(457,303)

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 8 LOANS, ADVANCES AND FINANCING (continued)

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Gross loans, advances and financing	<b>35,442,479</b>	32,516,740	<b>31,110,124</b>	28,756,489
Fair value changes arising from fair value hedges	<b>(35,717)</b>	32,540	<b>(21,063)</b>	16,058
Allowance for bad and doubtful debts and financing:				
- specific	<b>(345,781)</b>	(412,760)	<b>(320,954)</b>	(380,780)
- general	<b>(526,957)</b>	(481,746)	<b>(461,900)</b>	(425,782)
	<b>(872,738)</b>	(894,506)	<b>(782,854)</b>	(806,562)
<b>Total net loans, advances and financing</b>	<b>34,534,024</b>	31,654,774	<b>30,306,207</b>	27,965,985

The Group and the Bank have designated fair value hedges on certain receivables using interest rate futures and interest rate swaps. The total fair value loss of the said interest rate futures and interest rate swaps relating to these hedges at 30 June 2008 amounted to RM29,796,370 (2007: RM15,749,750) and RM20,447,516 (2007: RM13,659,398) at Group and Bank respectively.

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Maturing within:				
- one year	<b>10,496,680</b>	9,784,058	<b>10,006,271</b>	9,316,042
- one year to three years	<b>2,755,816</b>	2,699,852	<b>1,842,259</b>	1,752,444
- three years to five years	<b>2,921,256</b>	2,964,494	<b>2,065,967</b>	1,888,505
- over five years	<b>19,268,727</b>	17,068,336	<b>17,195,627</b>	15,799,498
	<b>35,442,479</b>	32,516,740	<b>31,110,124</b>	28,756,489

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 8 LOANS, ADVANCES AND FINANCING (continued)

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Domestic banking institutions	-	320	-	320
Domestic non-bank financial institutions other than stockbroking companies	<b>122,659</b>	159,547	<b>102,211</b>	115,991
Domestic business enterprises:				
- small medium enterprises	<b>3,505,565</b>	3,351,870	<b>3,160,983</b>	3,057,918
- others	<b>7,200,936</b>	6,172,934	<b>6,590,822</b>	5,552,248
Government and statutory bodies	<b>1,592</b>	91,102	<b>1,533</b>	91,102
Individuals	<b>23,477,491</b>	21,502,145	<b>20,163,640</b>	18,734,077
Other domestic entities	<b>25,976</b>	41,907	<b>23,997</b>	40,532
Foreign entities	<b>1,108,260</b>	1,196,915	<b>1,066,938</b>	1,164,301
Gross loans, advances and financing	<b>35,442,479</b>	32,516,740	<b>31,110,124</b>	28,756,489

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Fixed rate:				
- Housing and shop loans/financing	<b>1,634,343</b>	3,512,263	<b>1,125,875</b>	2,879,880
- Hire purchase receivables/financing	<b>5,395,285</b>	4,942,068	<b>2,771,276</b>	2,546,490
- Credit card	<b>1,925,986</b>	1,667,901	<b>1,925,986</b>	1,667,901
- Other fixed rate loan/financing	<b>1,099,215</b>	920,519	<b>896,563</b>	602,863
Variable rate:				
- Base lending rate plus	<b>22,468,590</b>	17,829,234	<b>21,471,366</b>	17,415,214
- Cost plus	<b>2,800,269</b>	3,582,814	<b>2,800,267</b>	3,582,200
- Other variable rates	<b>118,791</b>	61,941	<b>118,791</b>	61,941
Gross loans, advances and financing	<b>35,442,479</b>	32,516,740	<b>31,110,124</b>	28,756,489



## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 8 LOANS, ADVANCES AND FINANCING (continued)

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Purchase of securities	<b>517,205</b>	582,681	<b>516,773</b>	581,558
Purchase of transport vehicles	<b>5,017,181</b>	4,469,163	<b>2,584,272</b>	2,324,994
Residential property (Housing)	<b>13,275,941</b>	12,136,525	<b>12,278,962</b>	11,482,101
Non-residential property	<b>4,232,178</b>	3,926,088	<b>4,037,636</b>	3,786,768
Personal use	<b>2,363,560</b>	2,114,929	<b>2,303,164</b>	2,063,696
Credit card	<b>1,925,986</b>	1,667,901	<b>1,925,986</b>	1,667,901
Purchase of consumer durables	<b>128</b>	157	<b>126</b>	152
Construction	<b>541,258</b>	565,931	<b>506,570</b>	509,865
Working capital	<b>7,564,139</b>	6,961,765	<b>6,951,781</b>	6,247,930
Other purpose	<b>4,903</b>	91,600	<b>4,854</b>	91,524
	<b>35,442,479</b>	32,516,740	<b>31,110,124</b>	28,756,489

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Purchase of securities	<b>13,793</b>	21,229	<b>13,551</b>	20,616
Purchase of transport vehicles	<b>56,043</b>	86,393	<b>32,267</b>	53,705
Residential property (Housing)	<b>229,221</b>	289,258	<b>212,736</b>	268,008
Non-residential property	<b>79,537</b>	102,970	<b>78,597</b>	101,628
Personal use	<b>40,969</b>	44,580	<b>40,843</b>	44,435
Credit card	<b>28,751</b>	26,674	<b>28,751</b>	26,674
Purchase of consumer durables	-	154	-	154
Construction	<b>38,592</b>	55,039	<b>38,430</b>	54,294
Working capital	<b>353,496</b>	407,083	<b>349,380</b>	400,859
	<b>840,402</b>	1,033,380	<b>794,555</b>	970,373

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 8 LOANS, ADVANCES AND FINANCING (continued)

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
As at beginning of the year	<b>1,033,380</b>	1,381,983	<b>970,373</b>	1,303,964
Non-performing during the year	<b>2,594,538</b>	3,008,575	<b>2,408,810</b>	2,755,989
Performing during the year	<b>(2,195,316)</b>	(2,640,341)	<b>(2,041,874)</b>	(2,428,846)
Amount written back in respect of recoveries	<b>(332,256)</b>	(465,517)	<b>(302,442)</b>	(418,294)
Amount written off	<b>(261,664)</b>	(249,843)	<b>(242,032)</b>	(240,963)
Exchange difference	<b>1,720</b>	(1,477)	<b>1,720</b>	(1,477)
As at end of the year	<b>840,402</b>	1,033,380	<b>794,555</b>	970,373
Specific allowance	<b>(345,781)</b>	(412,760)	<b>(320,954)</b>	(380,780)
Net non-performing loans, advances and financing	<b>494,621</b>	620,620	<b>473,601</b>	589,593
<b>Ratio of non-performing loans to total loans, net of specific allowance</b>	<b>1.4%</b>	1.9%	<b>1.5%</b>	2.1%

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Specific allowance</b>				
As at beginning of the year	<b>412,760</b>	473,817	<b>380,780</b>	444,432
Allowances made during the year	<b>298,603</b>	296,243	<b>276,805</b>	274,437
Amount written back in respect of recoveries	<b>(105,139)</b>	(106,256)	<b>(95,820)</b>	(95,984)
Amount written off	<b>(261,663)</b>	(250,137)	<b>(242,031)</b>	(241,198)
Exchange difference	<b>1,220</b>	(907)	<b>1,220</b>	(907)
As at end of the year	<b>345,781</b>	412,760	<b>320,954</b>	380,780
<b>General allowance</b>				
As at beginning of the year	<b>481,746</b>	436,233	<b>425,782</b>	376,043
Net allowances made during the year	<b>44,443</b>	45,805	<b>35,350</b>	50,031
Exchange difference	<b>768</b>	(292)	<b>768</b>	(292)
As at end of the year	<b>526,957</b>	481,746	<b>461,900</b>	425,782
(as % of total loans less specific allowance)	<b>1.5%</b>	1.5%	<b>1.5%</b>	1.5%

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 9 OTHER ASSETS

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Foreclosed properties	<b>2,595</b>	3,009	<b>2,595</b>	3,009
Other debtors, deposits and prepayments	<b>1,005,140</b>	334,561	<b>1,228,029</b>	464,200
Interest receivable	<b>140,316</b>	192,812	<b>134,075</b>	184,586
Derivative financial instruments (Note 19)	<b>733,609</b>	160,400	<b>733,609</b>	160,400
	<b>1,881,660</b>	690,782	<b>2,098,308</b>	812,195

Included in other debtors, deposits and prepayments is partial payment for the Bank's investment in Chengdu Bank amounting to RM738,109,893.

### 10 STATUTORY DEPOSITS WITH BNM

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

### 11 INVESTMENT IN SUBSIDIARY COMPANIES

	The Bank	
	2008 RM'000	2007 RM'000
Unquoted shares, at cost:		
- in Malaysia	<b>619,771</b>	604,771
- outside Malaysia	<b>11</b>	11
Arising from translation of a foreign subsidiary company	<b>11</b>	11
	<b>619,793</b>	604,793
Allowance for impairment in value	<b>(27,752)</b>	(27,752)
	<b>592,041</b>	577,041
As at beginning of the year	<b>577,041</b>	522,041
Add: Subscription for new shares in subsidiary companies	<b>15,000</b>	55,000
As at end of the year	<b>592,041</b>	577,041

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 11 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies of the Bank are as follows:

Name	Percentage of equity held		Principal activities
	2008	2007	
(a) Gensource Berhad and its subsidiary companies:##	100	100	Dormant
(i) Pelita Terang Sdn Bhd*	100	100	Dormant
(ii) HLF Credit (Perak) Bhd*	100	100	Property investment holding
(b) Hong Leong Leasing Sdn Bhd*	100	100	Money lending and leasing business
(c) HL Leasing Sdn Bhd	100	100	Dormant
(d) HLB Realty Sdn Bhd	100	100	Real property investment
(e) HLB Nominees (Tempatan) Sdn Bhd	100	100	Agent and nominee for Malaysian clients
(f) HLB Nominees (Asing) Sdn Bhd	100	100	Agent and nominee for foreign clients
(g) HL Bank Nominees (Singapore) Pte Ltd+	100	100	Agent and nominee for clients
(h) WTB Corporation Berhad (“WTB”) and its subsidiary companies:#	100	100	Dormant
(i) Wah Tat Nominees (Tempatan) Sdn Bhd*	100	100	Agent and nominee for Malaysian clients
(ii) Wah Tat Nominees (Asing) Sdn Bhd*	100	100	Agent and nominee for foreign clients
(iii) Wah Tat Properties Sdn Bhd*	100	100	In member’s voluntary liquidation
(iv) Chew Geok Lin Finance Berhad	100	100	Dormant
(i) HLB Trade Services (Hong Kong) Limited +	100	100	Ceased operations
(j) Hong Leong Islamic Bank Berhad	100	100	Islamic Banking business
(k) Hong Leong Tokio Marine Takaful Berhad	55	55	Takaful business
(l) HLB Principal Investments (L) Limited	100	-	Holding of or dealing in offshore securities
(m) Unincorporated trust for ESOS <sup>Ω</sup>	-	-	Special purpose vehicle for ESOS

\* Not audited by PricewaterhouseCoopers.

+ Audited by member firms of PricewaterhouseCoopers International.

# Subsidiary company consolidated under the merger method of accounting.

Ω Deemed subsidiary 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 and HLB Trade Services (Hong Kong) Limited which is incorporated in Hong Kong.

**Notes to the financial statements**  
for the financial year ended 30 June 2008 (continued)

**12 PREPAID LEASE PAYMENTS**

The Group	Leasehold land less than 50 years	Leasehold land 50 years or more	Total
	RM'000	RM'000	RM'000
<b>2008</b>			
<b>Cost</b>			
As at beginning of the year	-	-	-
- as previously reported	-	-	-
- change in accounting policies	5,271	4,396	9,667
As restated	5,271	4,396	9,667
Disposals	-	(520)	(520)
As at end of the year	5,271	3,876	9,147
<b>Amortisation</b>			
As at beginning of the year	-	-	-
- as previously reported	-	-	-
- change in accounting policies	2,046	806	2,852
As restated	2,046	806	2,852
Amortisation during the year	75	9	84
Disposals	-	(75)	(75)
As at end of the year	2,121	740	2,861
<b>Net book value as at 30 June 2008</b>	<b>3,150</b>	<b>3,136</b>	<b>6,286</b>
<b>2007</b>			
<b>Cost</b>			
As at beginning of the year	-	-	-
- as previously reported	-	-	-
- change in accounting policies	5,271	4,396	9,667
As restated	5,271	4,396	9,667
As at end of the year	5,271	4,396	9,667
<b>Amortisation</b>			
As at beginning of the year	-	-	-
- as previously reported	-	-	-
- change in accounting policies	2,001	741	2,742
As restated	2,001	741	2,742
Amortisation during the year	45	65	110
As at end of the year	2,046	806	2,852
<b>Net book value as at 30 June 2007</b>	<b>3,225</b>	<b>3,590</b>	<b>6,815</b>

**Notes to the financial statements**  
for the financial year ended 30 June 2008 (continued)

**12 PREPAID LEASE PAYMENTS (continued)**

The Bank	Leasehold land less than 50 years	Leasehold land 50 years or more	Total
	RM'000	RM'000	RM'000
<b>2008</b>			
<b>Cost</b>			
As at beginning of the year	-	-	-
- as previously reported	-	-	-
- change in accounting policies	4,011	3,345	7,356
As restated	4,011	3,345	7,356
Disposals	-	(520)	(520)
<b>As at end of the year</b>	<b>4,011</b>	<b>2,825</b>	<b>6,836</b>
<b>Amortisation</b>			
As at beginning of the year	-	-	-
- as previously reported	-	-	-
- change in accounting policies	787	646	1,433
As restated	787	646	1,433
Amortisation during the year	75	-	75
Disposals	-	(75)	(75)
As at end of the year	862	571	1,433
<b>Net book value as at 30 June 2008</b>	<b>3,149</b>	<b>2,254</b>	<b>5,403</b>
<b>2007</b>			
<b>Cost</b>			
As at beginning of the year	-	-	-
- as previously reported	-	-	-
- change in accounting policies	4,011	3,345	7,356
As restated	4,011	3,345	7,356
As at end of the year	4,011	3,345	7,356
<b>Amortisation</b>			
As at beginning of the year	-	-	-
- as previously reported	-	-	-
- change in accounting policies	742	590	1,332
As restated	742	590	1,332
Amortisation during the year	45	56	101
As at end of the year	787	646	1,433
<b>Net book value as at 30 June 2007</b>	<b>3,224</b>	<b>2,699</b>	<b>5,923</b>

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 12 PREPAID LEASE PAYMENTS (continued)

Future amortisation of prepaid lease payments are as follows:

The Group	2008		2007	
	Less than 50 years	50 years or more	Less than 50 years	50 years or more
	RM'000	RM'000	RM'000	RM'000
- Not later than 1 year	105	88	105	193
- Later than 1 year and not later than 5 years	422	310	422	773
- Later than 5 years	2,623	2,738	2,698	2,624
	<b>3,150</b>	<b>3,136</b>	3,225	3,590

The Bank	2008		2007	
	Less than 50 years	50 years or more	Less than 50 years	50 years or more
	RM'000	RM'000	RM'000	RM'000
- Not later than 1 year	80	57	80	67
- Later than 1 year and not later than 5 years	321	226	321	268
- Later than 5 years	2,748	1,971	2,823	2,364
	<b>3,149</b>	<b>2,254</b>	3,224	2,699

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 13 PROPERTY AND EQUIPMENT

The Group	Freehold land	Buildings on freehold land	Leasehold land less than 50 years	Leasehold land 50 years or more	Buildings on leasehold land less than 50 years	Buildings on leasehold land 50 years or more	Office furniture, fittings, equipment and renovations	Computer equipment	Motor vehicles	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2008</b>											
<b>Cost</b>											
As at beginning of the year											
- as previously reported	42,896	34,307	5,271	4,396	2,683	19,876	165,070	241,510	11,535	67,902	595,446
- change in accounting policies	-	-	(5,271)	(4,396)	-	-	-	-	-	-	(9,667)
As restated	42,896	34,307	-	-	2,683	19,876	165,070	241,510	11,535	67,902	585,779
Additions	3,980	1,420	-	-	-	-	14,166	62,962	1,122	12,415	96,065
Disposals	(1,118)	(2,237)	-	-	-	(1,056)	(11,914)	(14,227)	(4,184)	(46)	(34,782)
Exchange fluctuation	-	-	-	-	-	-	538	567	50	-	1,155
As at end of the year	45,758	33,490	-	-	2,683	18,820	167,860	290,812	8,523	80,271	648,217
<b>Accumulated depreciation</b>											
As at beginning of the year											
- as previously reported	-	6,056	2,046	806	667	3,101	135,089	190,060	5,252	-	343,077
- change in accounting policies	-	-	(2,046)	(806)	-	-	-	-	-	-	(2,852)
As restated	-	6,056	-	-	667	3,101	135,089	190,060	5,252	-	340,225
Charge for the year	-	660	-	-	53	77	13,654	28,373	1,958	-	44,775
Disposals	-	(535)	-	-	-	(195)	(10,905)	(13,496)	(2,930)	-	(28,061)
Exchange fluctuation	-	-	-	-	-	-	444	494	39	-	977
As at end of the year	-	6,181	-	-	720	2,983	138,282	205,431	4,319	-	357,916
<b>Net book value as at 30 June 2008</b>	<b>45,758</b>	<b>27,309</b>	<b>-</b>	<b>-</b>	<b>1,963</b>	<b>15,837</b>	<b>29,578</b>	<b>85,381</b>	<b>4,204</b>	<b>80,271</b>	<b>290,301</b>
<b>2007</b>											
<b>Cost</b>											
As at beginning of the year											
- as previously reported	37,021	33,307	5,271	4,396	2,683	15,429	166,960	232,766	10,444	33,421	541,698
- change in accounting policies	-	-	(5,271)	(4,396)	-	-	-	-	-	-	(9,667)
As restated	37,021	33,307	-	-	2,683	15,429	166,960	232,766	10,444	33,421	532,031
Additions	5,875	1,000	-	-	-	4,447	10,367	12,525	3,781	34,481	72,476
Disposals	-	-	-	-	-	-	(12,071)	(3,445)	(2,670)	-	(18,186)
Exchange fluctuation	-	-	-	-	-	-	(186)	(336)	(20)	-	(542)
As at end of the year	42,896	34,307	-	-	2,683	19,876	165,070	241,510	11,535	67,902	585,779
<b>Accumulated depreciation</b>											
As at beginning of the year											
- as previously reported	-	5,694	2,001	741	631	2,799	133,268	170,695	5,177	-	321,006
- change in accounting policies	-	-	(2,001)	(741)	-	-	-	-	-	-	(2,742)
As restated	-	5,694	-	-	631	2,799	133,268	170,695	5,177	-	318,264
Charge for the year	-	362	-	-	36	302	13,966	22,940	1,942	-	39,548
Disposals	-	-	-	-	-	-	(11,973)	(3,329)	(1,855)	-	(17,157)
Exchange fluctuation	-	-	-	-	-	-	(172)	(246)	(12)	-	(430)
As at end of the year	-	6,056	-	-	667	3,101	135,089	190,060	5,252	-	340,225
<b>Net book value as at 30 June 2007</b>	<b>42,896</b>	<b>28,251</b>	<b>-</b>	<b>-</b>	<b>2,016</b>	<b>16,775</b>	<b>29,981</b>	<b>51,450</b>	<b>6,283</b>	<b>67,902</b>	<b>245,554</b>



## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 13 PROPERTY AND EQUIPMENT (continued)

The Bank	Freehold land	Buildings on freehold land	Leasehold land less than 50 years	Leasehold land 50 years or more	Buildings on leasehold land less than 50 years	Buildings on leasehold land 50 years or more	Office furniture, fittings, equipment and renovations	Computer equipment	Motor vehicles	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2008</b>											
<b>Cost</b>											
As at beginning of the year											
- as previously reported	33,321	31,850	4,011	3,345	2,674	16,032	161,157	240,343	10,802	67,833	571,368
- change in accounting policies	-	-	(4,011)	(3,345)	-	-	-	-	-	-	(7,356)
As restated	33,321	31,850	-	-	2,674	16,032	161,157	240,343	10,802	67,833	564,012
Additions	3,980	1,420	-	-	-	-	13,815	62,761	428	12,414	94,818
Disposals	(1,118)	(2,237)	-	-	-	(1,056)	(11,878)	(14,221)	(3,716)	-	(34,226)
Exchange fluctuation	-	-	-	-	-	-	538	567	50	-	1,155
As at end of the year	36,183	31,033	-	-	2,674	14,976	163,632	289,450	7,564	80,247	625,759
<b>Accumulated depreciation</b>											
As at beginning of the year											
- as previously reported	-	5,304	787	646	668	1,382	132,765	189,464	5,039	-	336,055
- change in accounting policies	-	-	(787)	(646)	-	-	-	-	-	-	(1,433)
As restated	-	5,304	-	-	668	1,382	132,765	189,464	5,039	-	334,622
Charge for the year	-	615	-	-	53	-	13,180	28,198	1,752	-	43,798
Disposals	-	(535)	-	-	-	(195)	(10,905)	(13,491)	(2,734)	-	(27,860)
Exchange fluctuation	-	-	-	-	-	-	444	494	39	-	977
As at end of the year	-	5,384	-	-	721	1,187	135,484	204,665	4,096	-	351,537
<b>Net book value as at 30 June 2008</b>	<b>36,183</b>	<b>25,649</b>	<b>-</b>	<b>-</b>	<b>1,953</b>	<b>13,789</b>	<b>28,148</b>	<b>84,785</b>	<b>3,468</b>	<b>80,247</b>	<b>274,222</b>
<b>2007</b>											
<b>Cost</b>											
As at beginning of the year											
- as previously reported	27,446	30,850	4,011	3,345	2,674	11,585	163,629	232,005	10,027	33,421	518,993
- change in accounting policies	-	-	(4,011)	(3,345)	-	-	-	-	-	-	(7,356)
As restated	27,446	30,850	-	-	2,674	11,585	163,629	232,005	10,027	33,421	511,637
Additions	5,875	1,000	-	-	-	4,447	9,784	12,119	3,460	34,412	71,097
Disposals	-	-	-	-	-	-	(12,070)	(3,445)	(2,665)	-	(18,180)
Exchange fluctuation	-	-	-	-	-	-	(186)	(336)	(20)	-	(542)
As at end of the year	33,321	31,850	-	-	2,674	16,032	161,157	240,343	10,802	67,833	564,012
<b>Accumulated depreciation</b>											
As at beginning of the year											
- as previously reported	-	4,986	742	590	632	1,157	131,381	170,213	5,087	-	314,788
- change in accounting policies	-	-	(742)	(590)	-	-	-	-	-	-	(1,332)
As restated	-	4,986	-	-	632	1,157	131,381	170,213	5,087	-	313,456
Charge for the year	-	318	-	-	36	225	13,528	22,826	1,816	-	38,749
Disposals	-	-	-	-	-	-	(11,972)	(3,329)	(1,851)	-	(17,152)
Exchange fluctuation	-	-	-	-	-	-	(172)	(246)	(13)	-	(431)
As at end of the year	-	5,304	-	-	668	1,382	132,765	189,464	5,039	-	334,622
<b>Net book value as at 30 June 2007</b>	<b>33,321</b>	<b>26,546</b>	<b>-</b>	<b>-</b>	<b>2,006</b>	<b>14,650</b>	<b>28,392</b>	<b>50,879</b>	<b>5,763</b>	<b>67,833</b>	<b>229,390</b>

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 14 INTANGIBLE ASSETS

The Group	Computer software	Computer software
	2008 RM'000	2007 RM'000
<b>Cost</b>		
At 1 July	109,931	92,787
Additions	12,523	17,144
Write-off	(6,020)	-
At 30 June	116,434	109,931
<b>Amortisation</b>		
At 1 July	76,108	61,479
Amortisation during the year	12,997	14,629
Write-off	(5,933)	-
At 30 June	83,172	76,108
<b>Net book value as at 30 June 2008</b>	<b>33,262</b>	<b>33,823</b>

The Bank	Computer software	Computer software
	2008 RM'000	2007 RM'000
<b>Cost</b>		
At 1 July	108,091	92,787
Additions	12,016	15,304
Write-off	(6,020)	-
At 30 June	114,087	108,091
<b>Amortisation</b>		
At 1 July	75,920	61,479
Amortisation during the year	12,591	14,441
Write-off	(5,933)	-
At 30 June	82,578	75,920
<b>Net book value as at 30 June 2008</b>	<b>31,509</b>	<b>32,171</b>

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 15 DEFERRED TAXATION

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

The Group	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
<b>Deferred tax assets/(liabilities) 2008</b>					
As at beginning of the year	125,254	(9,672)	3,259	46,120	164,961
Credited/(charged) to income statement (Note 34)	6,486	(19)	-	393	6,860
Transferred to equity	-	-	1,332	-	1,332
As at end of the year	131,740	(9,691)	4,591	46,513	173,153

#### 2007

As at beginning of the year	122,145	(14,624)	30,959	34,821	173,301
Credited to income statement (Note 34)	3,109	4,952	-	11,299	19,360
Transferred from equity	-	-	(27,700)	-	(27,700)
As at end of the year	125,254	(9,672)	3,259	46,120	164,961

The Bank	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
<b>Deferred tax assets/(liabilities) 2008</b>					
As at beginning of the year	110,703	(9,672)	3,416	44,631	149,078
Credited/(charged) to income statement (Note 34)	4,772	(19)	-	-	4,753
Transferred to equity	-	-	1,472	-	1,472
As at end of the year	115,475	(9,691)	4,888	44,631	155,303

#### 2007

As at beginning of the year	105,292	(14,624)	30,255	33,315	154,238
Credited to income statement (Note 34)	5,411	4,952	-	11,316	21,679
Transferred from equity	-	-	(26,839)	-	(26,839)
As at end of the year	110,703	(9,672)	3,416	44,631	149,078

**Notes to the financial statements**  
for the financial year ended 30 June 2008 (continued)

**16 GENERAL AND FAMILY TAKAFUL FUNDS**

	The Group 2008		
	General Takaful Fund	Family Takaful Fund	Total
	RM'000	RM'000	RM'000
<b>Assets</b>			
Cash and bank balances	252	4,070	4,322
Investments	411	9,053	9,464
Receivables	88	1,647	1,735
Investment-linked business assets	-	148,348	148,348
	751	163,118	163,869
<b>Liabilities</b>			
Payables	528	1,210	1,738
Investment-linked business liabilities	-	1,494	1,494
	528	2,704	3,232
General takaful and family takaful participants' funds	223	160,414	160,637
	751	163,118	163,869

	The Group 2007		
	General Takaful Fund	Family Takaful Fund	Total
	RM'000	RM'000	RM'000
<b>Assets</b>			
Cash and bank balances	116	124	240
Investments	300	815	1,115
Receivables	16	162	178
Investment-linked business assets	-	4,989	4,989
	432	6,090	6,522
<b>Liabilities</b>			
Payables	300	288	588
Investment-linked business liabilities	-	340	340
	300	628	928
General takaful and family takaful participants' funds	132	5,462	5,594
	432	6,090	6,522

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 16 GENERAL AND FAMILY TAKAFUL FUNDS (continued)

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

	The Group	
	2008 RM'000	2007 RM'000
Gross contributions	1,270	240
Net contributions	1,270	240
Increase in unearned contribution reserves	(379)	(161)
Earned contributions	891	79
Net claims incurred	(816)	(31)
Wakalah fee	(383)	(84)
Underwriting deficit	(308)	(36)
Net investment income	20	7
General takaful fund for the financial year	(288)	(29)
General takaful fund at beginning of the financial year	(29)	-
Unearned contribution reserves at end of the financial year	540	161
General takaful fund at end of the financial year	223	132

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

	The Group	
	2008 RM'000	2007 RM'000
Gross contributions	18,270	5,953
Retakaful	(409)	(2)
Net contributions	17,861	5,951
Benefits paid and payable:		
Death	(2,005)	(102)
Wakalah fee	(3,531)	(186)
Other operating expenses – net	(18)	(10)
Inward retakaful surplus sharing with ceding takaful operator	278	(312)
	(3,271)	(508)
Net investment income	264	8
Surplus before taxation	12,849	5,349
Taxation	(92)	(51)
Surplus after taxation before surplus from investment-linked business	12,757	5,298
Surplus after taxation from investment-linked business	142,195	3
Increase in Qardhul Hassan Loan	-	161
Surplus after taxation/family takaful fund at end of the year	154,952	5,462
Family takaful fund at the beginning of the financial year	5,462	-
Family takaful fund at the end of the financial year	160,414	5,462

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 16 GENERAL AND FAMILY TAKAFUL FUNDS (continued)

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

	The Group	
	2008 RM'000	2007 RM'000
<b>Liabilities to participants:</b>		
<b>Participants' Account ("PA")</b>		
As at beginning of the year	4,810	-
Increase in PA	154,965	4,810
As at end of the year	159,775	4,810
<b>Participants' Special Account ("PSA")</b>		
As at beginning of the year	652	-
(Decrease)/increase in PSA	(13)	652
As at end of the year	639	652
<b>Liabilities to participants as at end of the year</b>	<b>160,414</b>	<b>5,462</b>
<b>Unallocated surplus:</b>		
As at beginning of the year	-	-
Surplus after taxation	160,414	5,301
Increase in Qardhul Hassan	-	161
Increase in liabilities to participants	(160,414)	(5,462)
Unallocated surplus carried forward	-	-
<b>Family takaful fund as at end of the year:</b>		
As at beginning of the year	5,462	-
Increase in liabilities to participants for the year	154,952	5,462
As at end of the year	160,414	5,462

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 17 DEPOSITS FROM CUSTOMERS

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Fixed deposits	<b>33,984,323</b>	29,286,082	<b>29,766,590</b>	25,820,415
Negotiable instruments of deposit	<b>1,697,204</b>	3,247,184	<b>1,215,964</b>	3,097,778
	<b>35,681,527</b>	32,533,266	<b>30,982,554</b>	28,918,193
Demand deposits	<b>6,000,146</b>	5,021,169	<b>5,651,734</b>	4,736,354
Savings deposits	<b>7,491,714</b>	7,117,265	<b>6,457,812</b>	6,171,055
Short term corporate placements	<b>13,159,163</b>	11,836,509	<b>13,159,163</b>	11,836,509
Others	<b>215,397</b>	211,188	<b>215,397</b>	211,188
	<b>62,547,947</b>	56,719,397	<b>56,466,660</b>	51,873,299

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Due within:				
- six months	<b>25,485,568</b>	24,676,286	<b>22,024,171</b>	21,151,142
- six months to one year	<b>9,251,814</b>	7,024,595	<b>8,230,349</b>	7,024,595
- one year to three years	<b>944,145</b>	832,385	<b>728,034</b>	742,456
	<b>35,681,527</b>	32,533,266	<b>30,982,554</b>	28,918,193

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Government and statutory bodies	<b>985,187</b>	362,135	<b>380,161</b>	140,569
Business enterprises	<b>30,087,451</b>	24,673,743	<b>25,997,556</b>	22,032,474
Individuals	<b>30,877,001</b>	30,054,518	<b>29,592,888</b>	28,815,459
Others	<b>598,308</b>	1,629,001	<b>496,055</b>	884,797
	<b>62,547,947</b>	56,719,397	<b>56,466,660</b>	51,873,299

### 18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Licensed banks	<b>5,891,409</b>	3,677,870	<b>5,302,409</b>	3,602,870
Licensed investment banks	<b>481,167</b>	1,435,750	<b>291,167</b>	1,435,750
	<b>6,372,576</b>	5,113,620	<b>5,593,576</b>	5,038,620

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 19 DERIVATIVE FINANCIAL INSTRUMENTS

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Derivatives at fair value through profit or loss:				
- interest rate swaps	305,444	3,985	329,536	3,985
- cross currency swaps	188,907	6,817	188,907	6,817
- foreign currency forwards	144,937	122,771	144,937	122,771
- foreign currency options	11,792	12,066	11,792	12,066
- futures	15,689	9,499	15,689	9,499
- equity options	1,102	-	1,102	-
- cap/floors	569	193	569	193
- swaptions	-	1,281	-	1,281
Derivatives designated as fair value hedge:				
- interest rate swaps	60,873	3,788	36,781	3,788
- futures	4,296	-	4,296	-
<b>Total derivative financial instruments assets</b>	<b>733,609</b>	<b>160,400</b>	<b>733,609</b>	<b>160,400</b>
Derivatives at fair value through profit or loss:				
- interest rate swaps	(368,326)	(29,104)	(368,326)	(29,104)
- cross currency swaps	(67,757)	(166,477)	(67,757)	(166,477)
- foreign currency forwards	(98,620)	(9,060)	(98,620)	(9,060)
- foreign currency options	(6,586)	-	(6,586)	-
- equity options	(1,102)	-	(1,102)	-
- futures	(347)	-	(347)	-
Derivatives designated as fair value hedge:				
- interest rate swaps	(35,321)	(32,844)	(35,321)	(32,844)
- futures	(5,147)	(20,424)	(5,147)	(20,424)
<b>Total derivative financial instruments liabilities</b>	<b>(583,206)</b>	<b>(257,909)</b>	<b>(583,206)</b>	<b>(257,909)</b>

### 20 SYNDICATED SHORT TERM LOAN

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Syndicated loan – USD150 million	-	509,850	-	509,850

The Syndicated Transferable Short Term Loan Facility (“the facility”) of USD 150 million had matured on 21 November 2007. It had previously borne a floating interest rate of LIBOR + 0.10% per annum.



## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 21 OTHER LIABILITIES

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Zakat	79	42	-	-
Profit equalisation reserve (a)	4,284	2,564	-	-
Post employment benefits obligation - defined contribution plan	3,385	3,391	3,385	3,391
Interest payable	202,400	387,353	170,809	349,188
Loan advance payment	525,480	337,636	503,663	331,742
Amount due to subsidiary companies	-	-	42,593	49,914
Treasury clearing	219,235	481,626	219,235	481,626
Derivative financial instruments (Note 19)	583,206	257,909	583,206	257,909
Others	552,540	492,553	487,630	370,094
	<b>2,090,609</b>	<b>1,963,074</b>	<b>2,010,521</b>	<b>1,843,864</b>

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

(a) Profit equalisation reserve

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Balance as at 1 July	2,564	2,438	-	-
Amount written back during the year	(1,623)	(6,900)	-	-
Provision made during the year	3,343	7,026	-	-
Balance as at 30 June	<b>4,284</b>	<b>2,564</b>	<b>-</b>	<b>-</b>

### 22 SUBORDINATED OBLIGATIONS

	The Group and The Bank	
	2008 RM'000	2007 RM'000
Subordinated obligations, at par	749,250	749,250
Fair value changes arising from fair value hedges	18,250	(11,143)
Foreign exchange translations	(95,096)	(65,377)
	<b>672,404</b>	<b>672,730</b>
Less: Unamortised discounts	(654)	(1,073)
	<b>671,750</b>	<b>671,657</b>

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 2.717%.

The Bank has undertaken fair value hedge on the interest rate risk on the subordinated obligations using interest rate swaps. The fair value loss of the said interest rate swaps at 30 June 2008 amounted to RM15,017,433 (2007: RM21,251,727).

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 23 SHARE CAPITAL

	The Group and The Bank	
	2008 RM'000	2007 RM'000
<b>Authorised:</b>		
3,000,000,000 shares of RM1.00 each	<b>3,000,000</b>	3,000,000
<b>Issued and fully paid:</b>		
<b>Ordinary shares of RM1.00 each</b>		
As at beginning and end of the year	<b>1,580,107</b>	1,580,107

### 24 RESERVES

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Retained profits	<b>1,821,618</b>	1,369,223	<b>1,737,205</b>	1,298,020
Share premium	<b>539,664</b>	539,664	<b>539,664</b>	539,664
Statutory reserve	<b>1,823,644</b>	1,791,566	<b>1,741,612</b>	1,741,612
Share options reserve	<b>2,720</b>	-	<b>2,720</b>	-
Fair value reserve	<b>(14,701)</b>	(9,508)	<b>(14,663)</b>	(9,720)
Exchange fluctuation reserve	<b>35,529</b>	39,111	<b>35,529</b>	39,111
	<b>2,386,856</b>	2,360,833	<b>2,304,862</b>	2,310,667
	<b>4,208,474</b>	3,730,056	<b>4,042,067</b>	3,608,687

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.

The fair value reserve consists of the unrealised gains or losses arising from change in the fair values of investments classified as available-for-sale securities. The gains or losses are transferred to the income statement upon derecognition or impairment of the investment.

The Bank has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt account to frank the payment of dividends out of all its retained profits as at 30 June 2008.

### 25 TREASURY SHARES

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Purchase of own shares pursuant to Section 67A, Companies Act 1965	<b>431,719</b>	427,789	<b>431,719</b>	427,789
Treasury shares for ESOS scheme	<b>267,322</b>	267,322	<b>267,322</b>	267,322
	<b>699,041</b>	695,111	<b>699,041</b>	695,111

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

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

During the financial year, the Bank bought back 676,000 (2007: 16,872,200) of its issued share capital, at an average price of RM5.81 per share (2007: RM5.46), from the open market. The total consideration paid for the share buyback of its own shares, including transaction costs, was RM3,930,403 (2007: RM92,179,838) and was financed by internally generated funds. As at 30 June 2008, the total number of shares bought was 81,090,700 (2007: 80,414,700) 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 2008 after deducting treasury shares purchased is 1,499,016,334 shares (2007: 1,499,692,334). 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. The number of shares bought back by the appointed Trustee in the previous financial year was 19,520,000 shares at an average price of RM5.73 per share. The total consideration paid, including transaction costs was RM111,905,570. As at 30 June 2008, the total number of shares held was 50,000,000 (2007: 50,000,000).

### 26 INTEREST INCOME

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Loans and advances				
- interest income other than recoveries from NPLs	<b>1,673,909</b>	1,452,826	<b>1,673,691</b>	1,452,836
- recoveries from non-performing loans and advances	<b>126,192</b>	150,165	<b>126,192</b>	150,156
Money at call and deposit placements with financial institutions	<b>804,080</b>	790,240	<b>804,765</b>	805,922

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 26 INTEREST INCOME (continued)

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Securities purchased under resale agreements	<b>62,371</b>	118,208	<b>62,371</b>	118,208
Securities held at fair value through profit or loss	<b>35,075</b>	54,467	<b>35,288</b>	56,704
Available-for-sale securities	<b>110,839</b>	154,195	<b>110,839</b>	154,195
Held-to-maturity securities	<b>35,982</b>	85,144	<b>35,982</b>	85,144
Others	<b>7,128</b>	9,607	<b>7,128</b>	9,607
	<b>2,855,576</b>	2,814,852	<b>2,856,256</b>	2,832,772
Accretion of discounts less amortisation of premium	<b>216,986</b>	50,469	<b>216,986</b>	56,469
Net interest suspended	<b>(8,457)</b>	(7,160)	<b>(8,457)</b>	(7,160)
	<b>208,529</b>	49,309	<b>208,529</b>	49,309
	<b>3,064,105</b>	2,864,161	<b>3,064,785</b>	2,882,081

### 27 INTEREST EXPENSE

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deposits and placements of banks and other financial institutions	<b>129,527</b>	300,166	<b>130,212</b>	315,849
Deposits from other customers	<b>1,507,166</b>	1,340,764	<b>1,509,828</b>	1,345,840
Subordinated bonds	<b>34,201</b>	35,551	<b>34,201</b>	35,551
Syndicated short term loan	<b>11,678</b>	16,695	<b>11,678</b>	16,695
Others	<b>2,374</b>	1,861	<b>2,374</b>	1,861
	<b>1,684,946</b>	1,695,037	<b>1,688,293</b>	1,715,796

### 28 INCOME FROM ISLAMIC BANKING BUSINESS

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Income derived from investment of depositors' funds and others	<b>289,720</b>	295,106	-	-
Income derived from investment of shareholders' funds	<b>39,411</b>	33,251	-	-
Profit equalisation reserve	<b>(1,720)</b>	(126)	-	-
Income attributable to the depositors	<b>(167,367)</b>	(184,404)	-	-
	<b>160,044</b>	143,827	-	-

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 29 NON-INTEREST INCOME

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Fee income</b>				
Commissions	86,036	88,016	86,036	88,016
Service charges and fees	33,980	55,639	33,980	55,639
Guarantee fees	5,674	5,385	5,674	5,385
Credit card related fees	94,493	80,281	94,493	80,281
Corporate advisory fees	41,572	9,635	41,572	9,635
Commitment fees	13,260	12,278	13,325	12,337
Other fee income	51,790	48,325	51,790	48,325
	<b>326,805</b>	299,559	<b>326,870</b>	299,618
<b>Net income from securities</b>				
Net realised gain from sale/redemption of securities portfolio:				
- securities held at fair value through profit or loss and derivatives	21,937	57,163	21,937	57,163
- available-for-sale securities	6,759	38,715	6,759	38,715
- held-to-maturity securities	1,966	948	1,966	948
Dividend income from:				
- securities held at fair value through profit or loss	6,472	3,013	6,472	3,013
- available-for-sale securities	12	1,669	12	1,669
- held-to-maturity securities	3,111	1,001	3,111	1,001
Net unrealised gain/(loss) on revaluation of securities held at fair value through profit or loss and derivatives	(2,499)	(10,018)	20,913	(25,387)
Net realised loss on fair value changes arising from fair value hedges	(30,856)	(17,157)	(27,212)	(17,157)
Net unrealised gain/(loss) on fair value changes arising from fair value hedges	7,883	(6,368)	11,965	(7,475)
	<b>14,785</b>	68,966	<b>45,923</b>	52,490
<b>Other income</b>				
Foreign exchange gain	111,246	72,455	111,246	72,455
Rental income	329	368	329	367
Gain on disposal of property and equipment	1,692	407	1,692	407
Profit from takaful investments	10,872	1,026	-	-
Other non-operating income	13,408	12,458	15,007	13,763
	<b>137,547</b>	86,714	<b>128,274</b>	86,992
	<b>479,137</b>	455,239	<b>501,067</b>	439,100

### 30 OVERHEAD EXPENSES

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Personnel costs	422,043	363,736	387,123	322,059
Establishment costs	183,714	167,552	173,032	155,231
Marketing expenses	119,530	98,669	106,803	95,202
Administration and general expenses	123,475	118,060	119,236	114,269
	<b>848,762</b>	748,017	<b>786,194</b>	686,761

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 30 OVERHEAD EXPENSES (continued)

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	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Salaries, bonus and allowances	<b>385,742</b>	334,271	<b>354,835</b>	296,620
Other employees benefits	<b>36,301</b>	29,465	<b>32,288</b>	25,439
	<b>422,043</b>	363,736	<b>387,123</b>	322,059

(ii) Establishment costs comprise the following:

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Depreciation of property and equipment	<b>44,775</b>	39,548	<b>43,798</b>	38,749
Amortisation of intangible assets	<b>12,997</b>	14,629	<b>12,591</b>	14,441
Rental of premises	<b>42,224</b>	38,281	<b>39,953</b>	35,701
Information technology expenses	<b>42,593</b>	37,875	<b>40,772</b>	35,264
Others	<b>41,125</b>	37,219	<b>35,918</b>	31,076
	<b>183,714</b>	167,552	<b>173,032</b>	155,231

(iii) Marketing expenses comprise the following:

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Advertisement and publicity	<b>59,029</b>	44,528	<b>59,060</b>	44,897
Handling fees	<b>16,781</b>	13,539	<b>8,832</b>	11,625
Credit card related fees	<b>27,829</b>	32,607	<b>27,829</b>	31,991
Others	<b>15,891</b>	7,995	<b>11,082</b>	6,689
	<b>119,530</b>	98,669	<b>106,803</b>	95,202

(iv) Administration and general expenses comprise the following:

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Teletransmission expenses	<b>9,782</b>	9,725	<b>9,688</b>	9,394
Stationery and printing expenses	<b>15,506</b>	16,136	<b>15,317</b>	15,605
Professional fees	<b>32,969</b>	30,859	<b>31,718</b>	29,167
Insurance fees	<b>10,623</b>	11,975	<b>10,161</b>	11,523
Stamp, postage and courier	<b>10,405</b>	9,547	<b>10,622</b>	9,158
Others	<b>44,190</b>	39,818	<b>41,730</b>	39,422
	<b>123,475</b>	118,060	<b>119,236</b>	114,269

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 30 OVERHEAD EXPENSES (continued)

The above expenditure includes the following statutory disclosures:

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Directors' remuneration (Note 33)	<b>4,352</b>	3,805	<b>4,021</b>	3,488
Hire of equipment	<b>8,465</b>	8,584	<b>8,444</b>	8,564
Auditors' remuneration:				
Malaysian firm				
- statutory audit	<b>475</b>	418	<b>388</b>	363
- other fees	<b>155</b>	177	<b>121</b>	144
PwC overseas affiliated firms				
- statutory audit	<b>116</b>	135	<b>111</b>	117
- other fees	<b>400</b>	516	<b>398</b>	515
Other audit firm's fees	<b>11</b>	14	-	-
Loss on disposal of property and equipment	<b>1,067</b>	406	<b>1,083</b>	390
Amortisation of prepaid lease payments	<b>84</b>	110	<b>75</b>	101
Property and equipment written off	<b>52</b>	89	<b>52</b>	89
Intangible assets written off	<b>87</b>	-	<b>87</b>	-
Impairment losses on available-for-sale securities	<b>1,009</b>	1,825	<b>1,009</b>	1,825
Share option expenses	<b>2,720</b>	-	<b>2,720</b>	-

### 31 ALLOWANCES FOR LOSSES ON LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Allowance for bad and doubtful debts on loans and financing:				
(a) Specific allowance				
- made during the financial year	<b>298,603</b>	296,243	<b>276,805</b>	274,437
- written back	<b>(105,139)</b>	(106,256)	<b>(95,820)</b>	(95,984)
(b) General allowance				
- made during the financial year	<b>44,443</b>	45,805	<b>35,350</b>	50,031
	<b>237,907</b>	235,792	<b>216,335</b>	228,484
Bad debts on loans and financing:				
- written off	<b>7,515</b>	8,331	<b>7,186</b>	7,970
- recovered	<b>(86,895)</b>	(82,373)	<b>(82,186)</b>	(79,099)
	<b>(79,380)</b>	(74,042)	<b>(75,000)</b>	(71,129)
	<b>158,527</b>	161,750	<b>141,335</b>	157,355

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 31 ALLOWANCES FOR LOSSES ON LOANS, ADVANCES AND FINANCING (continued)

The Bank uses a “Loss Given Default” (“LGD”) approach to arrive at the level of specific allowances required for the following two categories of non-performing loans (NPLs) secured on properties:

- NPLs aged 5 to 7 years and
- NPLs aged more than 7 years

The LGD data is derived from the historical data of the Bank for NPLs that have been successfully resolved and is used to determine the percentage reduction of the force sale value or valuation for the collateral of the said NPLs.

### 32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

#### (a) Related parties and relationships

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

<b>Related parties</b>	<b>Relationship</b>
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
Guoco Group Limited and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
GuocoLand (Malaysia) Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
Subsidiary companies of the Bank as disclosed in Note 11	Subsidiary companies of the Bank
Rajang Plaza Sdn Bhd, Zenith Mint Enterprise Sdn Bhd, Chew H Hua Realty Sdn Bhd, Geok Kheng Holdings Sdn Bhd and Zenith Mint Cinema Sdn Bhd	Connected persons to Mr Chew Peng Cheng, Non-Executive Director
Key management personnel	The key management personnel of the Bank consists of: - All Directors of the Bank and four members of senior management of the Bank



## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

#### (a) Related parties and relationships (continued)

Related parties	Relationship
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

#### (b) Related party transactions and balances

A number of banking transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and at market rates.

Group	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
<b>2008</b>			
<b>Income</b>			
Commitment fee and bank charges	-	-	24
Commission on Group products/services sold	-	13,983	-
Others	-	959	-
	-	14,942	24
<b>Expenditure</b>			
Rental and maintenance	-	13,516	-
Insurance	-	1,804	-
Interest on deposits	-	350	24
Interest paid on short term corporate placement	-	28,868	3,522
Management fees	4,069	10,622	-
Other miscellaneous expenses	530	1,650	-
	4,599	56,810	3,546
<b>Amounts due from:</b>			
Credit card balances	-	-	160
Others	-	2,799	-
	-	2,799	160
<b>Amounts due to:</b>			
Current account and fixed deposits	651	119,311	16,467
Short term corporate placement	-	1,080,999	38,082
	651	1,200,310	54,549
<b>Payments made in relation to capital work-in-progress</b>	-	34,518	-

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

#### (b) Related party transactions and balances (continued)

Group	Parent company	Other related companies	Key management personnel
	RM'000	RM'000	RM'000
<b>2007</b>			
<b>Income</b>			
Interest:			
- private debt securities	-	2,441	-
Commitment fee and bank charges	-	-	40
Commission on Group products/services sold	-	9,856	-
Others	-	2,796	-
	-	15,093	40
<b>Expenditure</b>			
Rental and maintenance	-	10,817	-
Insurance	-	1,136	-
Interest on deposits	-	601	40
Interest on repurchase agreements	-	5,518	-
Interest paid on short term corporate placement	-	4,514	-
Management fees	4,251	11,565	-
Other miscellaneous expenses	29	2,853	-
	4,280	37,004	40
<b>Amounts due from:</b>			
Credit card balances	-	-	91
Others	-	1,137	-
	-	1,137	91
<b>Amounts due to:</b>			
Current account and fixed deposits	12,711	135,455	24,754
Short term corporate placement	-	630,317	-
Others	-	27,614	-
	12,711	793,386	24,754

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

#### (b) Related party transactions and balances (continued)

The Bank	Parent company	Subsidiary companies	Other related companies	Key management personnel
	RM'000	RM'000	RM'000	RM'000
<b>2008</b>				
<b>Income</b>				
Interest:				
- loans	-	112	-	-
- interbank placement	-	898	-	-
Commitment fee and bank charges	-	65	-	24
Commission on Group products/services sold	-	-	13,983	-
Reimbursement of shared service cost	-	25,771	-	-
Others	-	-	959	-
	-	26,846	14,942	24
<b>Expenditure</b>				
Rental and maintenance	-	918	13,516	-
Insurance	-	-	1,804	-
Interest on deposits	-	429	350	24
Interest paid on short term corporate placement	-	-	28,868	3,522
Management fees	4,069	-	10,622	-
Other miscellaneous expenses	530	-	1,650	-
	4,599	1,347	56,810	3,546
<b>Amounts due from:</b>				
Overdraft	-	1,245	-	-
Interbank placement	-	48,671	-	-
Credit card balances	-	-	-	160
Others	-	242,005	2,799	-
	-	291,921	2,799	160
<b>Amounts due to:</b>				
Current account and fixed deposits	651	78,511	119,311	16,312
Short term corporate placement	-	-	1,080,999	38,082
Others	-	42,593	-	-
	651	121,104	1,200,310	54,394
<b>Payments made in relation to capital work-in-progress</b>	-	-	34,518	-

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

#### (b) Related party transactions and balances (continued)

The Bank	Parent company	Subsidiary companies	Other related companies	Key management personnel
	RM'000	RM'000	RM'000	RM'000
<b>2007</b>				
<b>Income</b>				
Interest:				
- loans	-	157	-	-
- private debt securities	-	-	2,441	-
- interbank placement	-	17,919	-	-
Commitment fee and bank charges	-	58	-	40
Commission on Group products/services sold	-	-	9,856	-
Reimbursement of shared service cost	-	45,885	-	-
Others	-	-	2,796	-
	-	64,019	15,093	40
<b>Expenditure</b>				
Rental and maintenance	-	933	10,817	-
Insurance	-	-	1,136	-
Interest on deposits	-	404	601	40
Interest on repurchase agreements	-	-	5,518	-
Interest paid on short term corporate placement	-	-	4,514	-
Management fees	4,251	-	11,565	-
Other miscellaneous expenses	29	-	2,853	-
	4,280	1,337	37,004	40
<b>Amounts due from:</b>				
Overdraft	-	1,886	-	-
Interbank placement	-	298,671	-	-
Credit card balances	-	-	-	91
Others	-	148,178	1,137	-
	-	448,735	1,137	91
<b>Amounts due to:</b>				
Current account and fixed deposits	12,711	109,289	135,455	24,696
Short term corporate placement	-	-	630,317	-
Others	-	49,914	27,614	-
	12,711	159,203	793,386	24,696
			<b>The Group</b>	
			<b>2008</b>	<b>2007</b>
			<b>RM'000</b>	<b>RM'000</b>
The approved limit on loans, advances and financing for key management personnel			500	500

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

#### (c) Key management personnel

##### Key management compensation

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Salaries and other short-term employee benefits	<b>9,066</b>	7,627	<b>9,066</b>	7,627
	Units	Units	Units	Units
Share options balance of the Bank	<b>21,300,000</b>	-	<b>21,300,000</b>	-

Included in the above is the Directors' compensation which is disclosed in Note 33 below.

### 33 DIRECTORS' REMUNERATION

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Executive Directors:				
- salary and other remuneration	<b>1,773</b>	1,594	<b>1,728</b>	1,554
- bonuses	<b>1,172</b>	928	<b>1,172</b>	928
- contribution to defined contribution plan	<b>348</b>	298	<b>348</b>	298
- benefits-in-kind	<b>75</b>	40	<b>75</b>	40
Non-Executive Directors:				
- fees	<b>984</b>	945	<b>698</b>	668
	<b>4,352</b>	3,805	<b>4,021</b>	3,488

The remuneration attributable to the Group Managing Director of the Group and the Bank, including benefits-in-kind during the year amounted to RM2,497,100 (2007: RM2,132,996).

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.

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 34 TAXATION AND ZAKAT

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Malaysian income tax	<b>275,041</b>	260,698	<b>257,244</b>	238,316
Over provision in prior years	-	(4,224)	-	(4,224)
Transfer to deferred taxation				
- current year	<b>(6,860)</b>	(19,360)	<b>(4,753)</b>	(21,679)
Taxation	<b>268,181</b>	237,114	<b>252,491</b>	212,413
Zakat	-	35	-	-
	<b>268,181</b>	237,149	<b>252,491</b>	212,413

The effective tax rate for the Group and Bank differed from the statutory rate of taxation due to:

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Profit before taxation and zakat	<b>1,010,042</b>	856,598	<b>949,021</b>	759,444
Tax calculated at a rate of 26% (2007: 27%)	<b>262,611</b>	231,281	<b>246,745</b>	205,050
Tax effects of:				
- income not subject to tax	<b>(1,101)</b>	(5,318)	<b>(1,055)</b>	(774)
- expenses not deductible for tax purposes	<b>2,204</b>	3,969	<b>1,857</b>	2,655
- current year tax losses not recognised	-	726	-	-
- previously unrecognised tax losses	<b>(739)</b>	(255)	-	-
- change in tax rates	<b>5,206</b>	10,935	<b>4,944</b>	9,706
Over provision in prior years	-	(4,224)	-	(4,224)
Taxation	<b>268,181</b>	237,114	<b>252,491</b>	212,413

	The Group	
	2008 RM'000	2007 RM'000
Unused tax losses for which no deferred tax is recognised in the financial statements	<b>32,427</b>	31,569
Deductible temporary differences for which no deferred tax is recognised in the financial statements	<b>2,692</b>	1,373

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 35 EARNINGS PER SHARE

#### Basic/fully diluted earnings per share

Basic/fully diluted earnings per share 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 year, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares.

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Profit after taxation and zakat	<b>741,818</b>	620,794	<b>696,530</b>	547,031
Weighted average number of ordinary shares in issue ('000)	<b>1,449,157</b>	1,464,209	<b>1,449,157</b>	1,464,209
Basic/fully diluted earnings per share (sen)	<b>51.2</b>	42.4	<b>48.1</b>	37.4

### 36 DIVIDENDS

	2008		2007	
	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 distributions to equity holders:				
Final dividend	<b>15.0</b>	<b>160,840</b>	15.0	160,410
Interim dividend	<b>9.0</b>	<b>96,505</b>	9.0	96,003
	<b>24.0</b>	<b>257,345</b>	24.0	256,413

A final dividend in respect of the financial year ended 30 June 2008 of 15.0 sen per share less tax at 25% (2007: 15.0 sen per share less tax at 26%) will be proposed for shareholders' approval at the forthcoming Annual General Meeting. Based on the Bank's adjusted issued and paid-up share capital (taking into consideration the 81,090,700 treasury shares pursuant to Section 67A of the Companies Act, 1965, but excluding the shares held by a trust for the Bank's ESOS scheme) of 1,499,016,334 as at 30 June 2008, the dividend would amount to RM168,639,338 (2007: RM166,465,849). The proposed dividend will be reflected in the financial statements of the next financial year ending 30 June 2008 when approved by shareholders.

### 37 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. These commitments and contingencies are also not secured over the assets of the Group.

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 37 COMMITMENTS AND CONTINGENCIES (continued)

The commitments and contingencies constitute the following:

	The Group					
	2008			2007		
	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	<b>207,396</b>	<b>207,396</b>	<b>193,849</b>	168,884	168,884	168,884
Certain transaction related contingent items	<b>287,933</b>	<b>143,966</b>	<b>129,875</b>	282,088	141,043	141,043
Short-term self- liquidating trade-related contingencies	<b>741,691</b>	<b>148,338</b>	<b>142,375</b>	606,280	121,256	121,256
Irrevocable commitment to extend credit:						
- maturity more than one year	<b>4,279,447</b>	<b>2,139,724</b>	<b>1,743,385</b>	4,337,370	2,168,685	2,168,685
- maturity less than one year	<b>13,458,683</b>	<b>2,691,736</b>	<b>2,189,391</b>	13,947,338	-	-
Foreign exchange related contracts:						
- less than one year	<b>20,194,529</b>	<b>395,392</b>	<b>252,097</b>	21,059,448	401,983	38,394
- one year to less than five years	<b>3,531,178</b>	<b>543,356</b>	<b>310,593</b>	1,370,450	126,368	32,299
- five years and above	<b>298,668</b>	<b>77,869</b>	<b>38,935</b>	288,028	31,683	-
Interest rate related contracts:						
- less than one year	<b>31,317,316</b>	<b>361,900</b>	<b>143,156</b>	20,236,212	14,926	-
- one year to less than five years	<b>6,992,481</b>	<b>45,832</b>	<b>20,771</b>	13,206,233	364,834	3,051
- five years and above	<b>30,000</b>	<b>4,032</b>	<b>2,016</b>	987,593	74,807	-
Equity related contracts:						
- less than one year	<b>151,823</b>	<b>10,211</b>	<b>6,567</b>	129,340	1,940	-
- one year to less than five years	<b>150,400</b>	<b>12,032</b>	<b>6,016</b>	-	-	-
	<b>81,641,545</b>	<b>6,781,784</b>	<b>5,179,026</b>	76,619,264	3,616,409	2,673,612



## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 37 COMMITMENTS AND CONTINGENCIES (continued)

	The Bank					
	2008			2007		
	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	207,396	207,396	193,849	168,884	168,884	168,884
Certain transaction related contingent items	253,585	126,792	112,744	281,719	140,859	140,859
Short-term self- liquidating trade- related contingencies	737,476	147,495	141,583	599,083	119,817	119,817
Irrevocable commitment to extend credit:						
- maturity more than one year	3,554,073	1,777,037	1,440,859	4,011,440	2,005,720	2,005,720
- maturity less than one year	13,256,242	2,651,248	2,149,575	13,929,119	-	-
Foreign exchange related contracts:						
- less than one year	20,194,529	395,392	252,097	21,058,589	401,970	38,394
- one year to less than five years	3,531,178	543,356	310,593	1,370,450	126,368	32,299
- five years and above	298,668	77,869	38,935	288,028	31,683	-
Interest rate related contracts:						
- less than one year	31,317,316	361,900	143,156	20,236,212	14,926	-
- one year to less than five years	6,992,481	45,832	20,771	13,206,233	364,834	3,051
- five years and above	30,000	4,032	2,016	987,593	74,807	-
Equity related contracts:						
- less than one year	151,823	10,211	6,567	129,340	1,940	-
- one year to less than five years	150,400	12,032	6,016	-	-	-
	<b>80,675,167</b>	<b>6,360,592</b>	<b>4,818,761</b>	76,266,690	3,451,808	2,509,024

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Foreign exchange related contracts:				
- swaps and forward contracts	18,519,000	18,896,667	18,519,000	18,895,808
- options	1,232,133	2,231,831	1,232,133	2,231,831
- cross currency swaps	4,273,242	1,589,428	4,273,242	1,589,428

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 37 COMMITMENTS AND CONTINGENCIES (continued)

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Interest rate related contracts:				
- futures contracts	<b>12,793,305</b>	16,850,333	<b>12,793,305</b>	16,850,333
- interest rate swaps	<b>25,494,292</b>	17,178,105	<b>25,494,292</b>	17,178,105
- cap/floors	<b>50,000</b>	50,000	<b>50,000</b>	50,000
- swaptions	<b>2,200</b>	351,600	<b>2,200</b>	351,600
Equity related contracts:				
- options	<b>302,223</b>	129,340	<b>302,223</b>	129,340

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

### 38 CAPITAL COMMITMENTS

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Authorised and contracted for	39,672	38,331	39,533	37,537
Authorised but not contracted for	36,884	24,006	36,884	24,004
	<b>76,556</b>	<b>62,337</b>	<b>76,417</b>	<b>61,541</b>

The capital commitments are attributed to property and equipment.

### 39 LEASE COMMITMENTS

The Bank has lease commitments in respect of rented premises, all of which are classified as operating leases. A summary of the future minimum lease payments, net of sublease, under non-cancellable operating lease commitment are as follows:

	2008 RM'000	2007 RM'000
Not later than one year	<b>3,742</b>	4,481
Later than one year and not later than five years	<b>7,358</b>	8,003
More than 5 years	<b>50</b>	-

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 40 HOLDING AND ULTIMATE HOLDING COMPANIES

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

### 41 CAPITAL ADEQUACY

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Tier-1 capital	<b>4,974,786</b>	4,503,254	<b>4,782,493</b>	4,354,325
Tier-2 capital	<b>1,180,457</b>	1,164,546	<b>1,115,400</b>	1,108,582
Total capital	<b>6,155,243</b>	5,667,800	<b>5,897,893</b>	5,462,907
Less: Investment in subsidiary companies	-	-	<b>(592,041)</b>	(577,041)
Less: Holding of other banking institutions' capital	<b>(31,858)</b>	-	<b>(31,858)</b>	-
Capital base	<b>6,123,385</b>	5,667,800	<b>5,273,994</b>	4,885,866
<b>Capital ratios</b>				
Core capital ratio	<b>13.30%</b>	13.34%	<b>14.29%</b>	14.42%
Risk-weighted capital ratio	<b>16.36%</b>	16.79%	<b>15.76%</b>	16.17%
Core capital ratio (net of proposed dividends)	<b>12.84%</b>	12.84%	<b>13.78%</b>	13.86%
Risk-weighted capital ratio (net of proposed dividends)	<b>15.91%</b>	16.29%	<b>15.25%</b>	15.62%

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Tier-1 capital</b>				
Paid-up share capital	<b>1,580,107</b>	1,580,107	<b>1,580,107</b>	1,580,107
Share premium	<b>539,664</b>	539,664	<b>539,664</b>	539,664
Other reserves	<b>3,668,810</b>	3,190,392	<b>3,502,403</b>	3,069,023
Minority interest	<b>43,698</b>	43,655	-	-
Treasury shares	<b>(699,041)</b>	(695,111)	<b>(699,041)</b>	(695,111)
Less: Deferred tax assets	<b>(173,153)</b>	(164,961)	<b>(155,303)</b>	(149,078)
Less: Fair value reserve *	<b>14,701</b>	9,508	<b>14,663</b>	9,720
Total tier-1 capital	<b>4,974,786</b>	4,503,254	<b>4,782,493</b>	4,354,325

\* Fair value reserve has been excluded from the Bank's capital base.

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 41 CAPITAL ADEQUACY (continued)

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Tier-2 capital</b>				
Subordinated obligations	<b>653,500</b>	682,800	<b>653,500</b>	682,800
General allowance for bad and doubtful debts	<b>526,957</b>	481,746	<b>461,900</b>	425,782
Total tier-2 capital	<b>1,180,457</b>	1,164,546	<b>1,115,400</b>	1,108,582
Total capital	<b>6,155,243</b>	5,667,800	<b>5,897,893</b>	5,462,907
Less: Investment in subsidiary companies	-	-	<b>(592,041)</b>	(577,041)
Less: Holdings of other banking institutions' capital	<b>(31,858)</b>	-	<b>(31,858)</b>	-
Total capital base	<b>6,123,385</b>	5,667,800	<b>5,273,994</b>	4,885,866

(iii) Breakdown of risk-weighted assets in the various categories of risk-weights:

	The Group		The Bank	
	Basel II	Basel I	Basel II	Basel I
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Credit risk	<b>31,730,244</b>	32,142,824	<b>28,178,587</b>	28,594,471
Market risk	<b>2,233,019</b>	1,621,971	<b>2,154,616</b>	1,612,215
Operational risk	<b>3,454,930</b>	-	<b>3,139,123</b>	-
	<b>37,418,193</b>	33,764,795	<b>33,472,326</b>	30,206,686

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.

### 42 SEGMENT REPORTING

#### (i) Primary reporting – business segments

The Group comprises of the following main business segments:

Personal Financial Services focuses mainly on servicing individual customers and small businesses. Products and services that are extended to customers include mortgages, credit cards, hire purchase and others.

Corporate and Commercial Banking focuses mainly on corporate customers. Products offered include trade financing, working capital facilities, other term financing and corporate advisory services.

Treasury refers to the Group's treasury and capital market operations and includes foreign exchange, money market operations as well as capital market securities trading and investments.

Takaful refers to the business of underwriting family takaful including investment-linked business and all classes of general takaful businesses.

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 42 SEGMENT REPORTING (continued)

#### (i) Primary reporting – business segments (continued)

The Group	Wholesale Banking				Total RM'000
	Personal Financial Services RM'000	Corporate and Commercial Banking RM'000	Treasury RM'000	Takaful Business RM'000	
<b>2008</b>					
Revenue					
- external	1,141,352	212,183	653,933	10,872	2,018,340
- inter-segment	278,530	68,682	(347,212)	-	-
	<b>1,419,882</b>	<b>280,865</b>	<b>306,721</b>	<b>10,872</b>	<b>2,018,340</b>
Segment profit before taxation and zakat	672,112	119,976	217,864	90	1,010,042
Taxation and zakat					(268,181)
Profit after taxation and zakat for the financial year					<b>741,861</b>
Segment assets	27,131,567	7,614,869	39,630,425	219,142	74,596,003
Unallocated assets					2,865,202
<b>Total assets</b>					<b>77,461,205</b>
Segment liabilities	35,335,087	9,641,918	26,730,290	167,878	71,875,173
Unallocated liabilities					452,794
<b>Total liabilities</b>					<b>72,327,967</b>
<b>Other significant segment items</b>					
Capital expenditure	88,296	10,421	9,168	703	108,588
Amortisation of prepaid lease payments	75	9	-	-	84
Depreciation of property and equipment	35,621	3,784	5,166	204	44,775
Amortisation of intangible assets	10,051	953	1,587	406	12,997
Allowances for losses on loans, advances and financing	130,821	27,706	-	-	158,527
Impairment losses on available- for-sale securities	-	1,009	-	-	1,009

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

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 42 SEGMENT REPORTING (continued)

#### (i) Primary reporting – business segments (continued)

The Group	Wholesale Banking				Takaful Business	Total
	Personal Financial Services	Corporate and Commercial Banking	Treasury			
	RM'000	RM'000	RM'000		RM'000	RM'000
<b>2007</b>						
<b>Revenue</b>						
- external	779,390	360,754	626,145		1,901	1,768,190
- inter-segment	487,798	(72,883)	(414,915)		-	-
	1,267,188	287,871	211,230		1,901	1,768,190
Segment profit before taxation and zakat	573,722	162,648	122,918		(2,690)	856,598
Taxation and zakat						(237,149)
Profit after taxation and zakat for the financial year						619,449
Segment assets	24,407,021	7,425,408	37,321,041		107,826	69,261,296
Unallocated assets						2,162,443
<b>Total assets</b>						<b>71,423,739</b>
Segment liabilities	37,121,042	2,713,193	26,343,952		9,886	66,188,073
Unallocated liabilities						576,959
<b>Total liabilities</b>						<b>66,765,032</b>
<b>Other significant segment items</b>						
Capital expenditure	39,429	4,761	16,857		136	61,183
Amortisation of prepaid lease payments	101	9	-		-	110
Depreciation of property and equipment	30,102	4,413	4,874		159	39,548
Amortisation of intangible assets	10,848	1,464	2,128		189	14,629
Allowances for losses on loans, advances and financing	125,923	35,827	-		-	161,750
Impairment losses on available-for-sale securities	-	1,825	-		-	1,825

#### (ii) Secondary reporting – geographic segments

The Group operates in two main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the primary business segments

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 42 SEGMENT REPORTING (continued)

#### (ii) Secondary reporting – geographic segments (continued)

- Overseas operations, which includes branch and subsidiary operations in Singapore and Hong Kong. The overseas operations are mainly in commercial banking and treasury business. The overseas operations contributed less than 10% of the revenue and total assets of the Group.

The Group	Revenue	Total assets
	RM'000	RM'000
<b>2008</b>		
Malaysia	<b>1,889,301</b>	<b>72,406,796</b>
Overseas operations	<b>129,039</b>	<b>5,054,409</b>
	<b>2,018,340</b>	<b>77,461,205</b>
<b>2007</b>		
Malaysia	1,690,404	68,171,318
Overseas operations	77,786	3,252,421
	1,768,190	71,423,739

### 43 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 25 October 2007, the Bank announced that it had entered into a Share Subscription Agreement with Chengdu City Commercial Bank Co., Ltd (“Chengdu Bank”) to subscribe for new shares in Chengdu Bank for a total subscription price of RMB1.95 billion or approximately RM877.5 million.

On 15 January 2008, the Bank announced that the China Banking Regulatory Committee had approved the application by the Bank to subscribe for 650 million shares in Chengdu Bank, representing 20% of the enlarged share capital of Chengdu Bank.

- (b) On 29 June 2006, the Bank announced that HLB Ventures Sdn Bhd (“HLBV”), Chew Geok Lin Nominees (Tempatan) Sendirian Berhad (“CGLN(T)”), Chew Geok Lin Nominees (Asing) Sendirian Berhad (“CGLN(A)”) and Wah Tat Properties Sdn Bhd (“WTP”) were placed under Member’s Voluntary Liquidation pursuant to Section 254(1) of the Companies Act, 1965.

HLBV, CGLN(T) and CGLN(A) were dissolved on 9 August 2007. The liquidation of WTP is pending completion.

- (c) On 3 March 2008, the Bank announced that it had incorporated a wholly-owned subsidiary in Labuan known as HLB Principal Investments (L) Limited to undertake the business of holding of or dealing in offshore securities.

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 44 SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

- (a) On 21 July 2008, the Bank announced that the Proposed Subscription of 20% Equity Interest In Chengdu Bank had been completed.
- (b) On 3 July 2008, the Bank subscribed for 6,000,000 redeemable preference shares of USD0.01 each, issued at a premium of USD0.99 each, in HLB Principal Investments (L) Limited (“HLB PI”), a wholly-owned subsidiary of the Bank. The proceeds were used by HLB PI to invest in offshore securities. HLB PI commenced operations on 7 July 2008.

### 45 RISK MANAGEMENT OBJECTIVES AND POLICIES

#### Integrated Risk Management (“IRM”)

Managing risks is an integral part of the Bank’s overall business strategy, as risks, if left unchecked against a backdrop of rapidly changing financial landscape and increased uncertainty, can translate into costs for the business. Recognising the need to be proactive in the management of risks, the Bank has implemented an Integrated Risk Management (“IRM”) framework.

At the apex of the IRM framework, the Board of Directors has the overall responsibility to ensure there is proper oversight of the management of risks in the Bank. The Board of Directors set the risk appetite and tolerance level that is consistent with the Bank’s overall business objectives and desired risk profile. A number of committees and dedicated risk management functions have been established to manage specific areas of risk and implement various risk management policies and procedures.

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



## **45 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

### **Credit Risk Management (continued)**

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.

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.

## **45 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

### **Liquidity Risk Management (continued)**

This is supplemented by the Bank's own internal liquidity management policies, which includes cash flow management, maintenance of high quality long-term and short-term marketable debt securities and diversification of funding base. The Bank has in place liquidity contingency funding plans to minimise the liquidity risk that may arise due to unforeseen adverse changes in the marketplace.

### **Operational Risk Management**

The Bank adopts the Basel II's Operational Risk Management definition as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events" which also includes IT and legal risks. As such, operational risk is inherent in each of the Bank's business and operational activities. Such risks may result in breakdowns, errors and can potentially result in financial loss or other losses to the Bank. The primary responsibility of managing such risks rests with the respective operating department/unit.

The Bank takes a proactive stance on identifying and profiling principal potential operational risks and implementing relevant risk mitigation and contingency procedures.

One of the Bank's primary safeguards against operational risks is the existence of a sound internal control system, based on the principle of dual control, checks and balances, segregation of duties, independent checks and verification processes, segmented system access control and multi-tier internal transaction authorisation process. The controls are documented through a set of policies and procedures at the individual business unit level.

The Bank has also set up an Operational Risk Management and Compliance Committee ("ORMCC") comprising members of the Bank's senior management to manage its operational risks and compliance issues. The ORMCC intends to minimise bank wide operational risk losses and increase shareholder value in accordance with Basel II standards while ensuring compliance to all regulations and internal policies. Another key role of the ORMCC is to promote awareness of operational risk management within the Bank and its customers.

The Bank has published an Operational Risk Management Awareness Handbook and disseminated across the Bank so as to enhance operational risk awareness among all the staff as well as to inculcate sound risk management as an integral part of planning and management process.

## **46 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES**

### **A Interest/profit rate risk**

The tables below summarise the Group's and the Bank's exposure to interest/profit rate risks. Included in the tables are the Group's and the Bank's assets and liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest rates and yield curves change over time the Group and the Bank may be exposed to loss in earnings due to the effects of interest rates on the structure of the balance sheets. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 46 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

#### A Interest/profit rate risk (continued)

	The Group 2008							
	Non – trading book					Non- interest/ profit rate sensitive	Trading book	Total
	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years			
<b>Assets</b>								
Cash and short-term funds	21,849,177	-	-	-	-	415,497	-	22,264,674
Deposits and placements with banks and other financial institutions	-	1,473,170	664,470	-	-	-	-	2,137,640
Securities purchased under resale agreements	972,742	-	-	-	-	-	-	972,742
Securities held at fair value through profit or loss	-	-	-	-	-	-	4,856,645	4,856,645
Available-for-sale securities	435,141	778,552	728,744	2,963,533	914,508	8,606*	-	5,829,084
Held-to-maturity securities	500,511	1,150,026	83,180	1,067,298	171,488	29,898	-	3,002,401
Loans, advances and financing								
- performing	27,046,861	495,560	1,032,041	3,461,817	2,544,703	(519,506) <sup>^</sup>	-	34,061,476
- non performing	-	-	-	-	-	472,548 <sup>^</sup>	-	472,548
Other assets	-	-	-	-	-	1,881,660	-	1,881,660
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,315,464	-	1,315,464
Prepaid lease payments	-	-	-	-	-	6,286	-	6,286
Property and equipment	-	-	-	-	-	290,301	-	290,301
Intangible assets	-	-	-	-	-	33,262	-	33,262
Deferred tax assets	-	-	-	-	-	173,153	-	173,153
General and family takaful funds	-	-	-	-	-	163,869	-	163,869
<b>Total assets</b>	<b>50,804,433</b>	<b>3,897,308</b>	<b>2,508,435</b>	<b>7,492,648</b>	<b>3,630,699</b>	<b>4,271,037</b>	<b>4,856,645</b>	<b>77,461,205</b>
<b>Liabilities</b>								
Deposits from customers	35,833,479	6,602,222	13,749,194	939,145	-	5,423,907	-	62,547,947
Deposits and placements of banks and other financial institutions	5,530,305	776,830	58,107	-	-	7,334	-	6,372,576
Bills and acceptances payable	17,794	61,638	39,855	-	-	291,896	-	411,183
Other liabilities	-	-	-	-	-	2,090,609	-	2,090,609
Subordinated obligations	-	-	-	671,750	-	-	-	671,750
Provision for taxation	-	-	-	-	-	70,033	-	70,033
General and family takaful funds	-	-	-	-	-	3,232	-	3,232
General and family takaful participants' funds	-	-	-	-	-	160,637	-	160,637
<b>Total liabilities</b>	<b>41,381,578</b>	<b>7,440,690</b>	<b>13,847,156</b>	<b>1,610,895</b>	<b>-</b>	<b>8,047,648</b>	<b>-</b>	<b>72,327,967</b>
<b>Total interest rate sensitivity gap</b>	<b>9,422,855</b>	<b>(3,543,382)</b>	<b>(11,338,721)</b>	<b>5,881,753</b>	<b>3,630,699</b>			

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

<sup>^</sup> Includes specific allowances and general allowances amounting to RM872,738,000.

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 46 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

#### A Interest/profit rate risk (continued)

	The Group 2007							Total RM'000
	Non – trading book					Non- interest/ profit rate sensitive RM'000	Trading book RM'000	
	Up to 1 month RM'000	1 – 3 months RM'000	3 -12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000			
<b>Assets</b>								
Cash and short-term funds	15,628,461	-	-	-	-	361,455	-	15,989,916
Securities purchased under resale agreements	2,366,332	1,128,977	-	-	-	-	-	3,495,309
Deposits and placements with banks and other financial institutions	-	6,597,697	2,549,461	-	-	-	-	9,147,158
Securities held at fair value through profit or loss	-	-	-	-	-	-	3,487,793	3,487,793
Available-for-sale securities	121,182	302,279	159,573	2,133,412	99,003	11,123*	-	2,826,572
Held-to-maturity securities	1,140,242	876,306	340,604	70,916	-	38,753	-	2,466,821
Loans, advances and financing								
- performing	23,192,470	381,157	1,783,313	3,746,824	2,395,496	(455,921) <sup>^</sup>	-	31,043,339
- non performing	-	-	-	-	-	611,435 <sup>^</sup>	-	611,435
Other assets	-	-	-	-	-	690,782	-	690,782
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,206,939	-	1,206,939
Prepaid lease payments	-	-	-	-	-	6,815	-	6,815
Property and equipment	-	-	-	-	-	245,554	-	245,554
Intangible assets	-	-	-	-	-	33,823	-	33,823
Deferred tax assets	-	-	-	-	-	164,961	-	164,961
General and family takaful funds assets	-	-	-	-	-	6,522	-	6,522
<b>Total assets</b>	<b>42,448,687</b>	<b>9,286,416</b>	<b>4,832,951</b>	<b>5,951,152</b>	<b>2,494,499</b>	<b>2,922,241</b>	<b>3,487,793</b>	<b>71,423,739</b>
<b>Liabilities</b>								
Deposits from customers	30,279,180	8,153,411	13,031,987	518,465	-	4,736,354	-	56,719,397
Deposits and placements of banks and other financial institutions	4,289,046	755,524	68,820	-	-	230	-	5,113,620
Obligations on securities sold under repurchase agreements	1,087,015	42,506	-	-	-	-	-	1,129,521
Bills and acceptances payable	57,423	45,905	6,727	117	-	456,079	-	566,251
Syndicated short term loan	-	-	509,850	-	-	-	-	509,850
Other liabilities	-	-	-	-	-	1,963,074	-	1,963,074
Subordinated obligations	-	-	-	671,657	-	-	-	671,657
General and family takaful funds	-	-	-	-	-	928	-	928
General and family takaful participants' funds	-	-	-	-	-	5,594	-	5,594
Provision for taxation	-	-	-	-	-	85,140	-	85,140
<b>Total liabilities</b>	<b>35,712,664</b>	<b>8,997,346</b>	<b>13,617,384</b>	<b>1,190,239</b>	<b>-</b>	<b>7,247,399</b>	<b>-</b>	<b>66,765,032</b>
<b>Total interest rate sensitivity gap</b>	<b>6,736,023</b>	<b>289,070</b>	<b>(8,784,433)</b>	<b>4,760,913</b>	<b>2,494,499</b>			

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

<sup>^</sup> Includes specific allowances and general allowances amounting to RM894,506,000.

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 46 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

#### A Interest/profit rate risk (continued)

	The Bank 2008							Total RM'000
	Non – trading book					Non- interest sensitive RM'000	Trading book RM'000	
	Up to 1 month RM'000	1 – 3 months RM'000	3 - 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000			
<b>Assets</b>								
Cash and short-term funds	19,963,838	-	-	-	-	429,015	-	20,392,853
Deposits and placements with banks and other financial institutions	-	1,473,170	664,470	-	-	-	-	2,137,640
Securities purchased under resale agreements	972,742	-	-	-	-	-	-	972,742
Securities held at fair value through profit or loss	-	-	-	-	-	-	3,976,030	3,976,030
Available-for-sale securities	435,141	738,580	713,663	2,237,774	870,790	8,606*	-	5,004,554
Held-to-maturity securities	500,511	1,150,026	83,180	971,741	140,663	29,323	-	2,875,444
Loans, advances and financing								
- performing	25,885,400	483,978	919,348	1,958,214	1,047,566	(454,796) <sup>^</sup>	-	29,839,710
- non-performing	-	-	-	-	-	466,497 <sup>^</sup>	-	466,497
Other assets	-	-	-	-	-	2,098,308	-	2,098,308
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,170,500	-	1,170,500
Investment in subsidiary companies	-	-	-	-	-	592,041	-	592,041
Prepaid lease payments	-	-	-	-	-	5,403	-	5,403
Property and equipment	-	-	-	-	-	274,222	-	274,222
Intangible assets	-	-	-	-	-	31,509	-	31,509
Deferred tax assets	-	-	-	-	-	155,303	-	155,303
<b>Total assets</b>	<b>47,757,632</b>	<b>3,845,754</b>	<b>2,380,661</b>	<b>5,167,729</b>	<b>2,059,019</b>	<b>4,805,931</b>	<b>3,976,030</b>	<b>69,992,756</b>
<b>Liabilities</b>								
Deposits from customers	31,558,807	6,140,216	12,615,696	728,034	-	5,423,907	-	56,466,660
Deposits and placements of banks and other financial institutions	5,230,305	297,830	58,107	-	-	7,334	-	5,593,576
Bills and acceptance payable	4,409	9,706	5,575	-	-	281,013	-	300,703
Other liabilities	-	-	-	-	-	2,010,521	-	2,010,521
Subordinated obligations	-	-	-	671,750	-	-	-	671,750
Provision for taxation	-	-	-	-	-	26,413	-	26,413
<b>Total liabilities</b>	<b>36,793,521</b>	<b>6,447,752</b>	<b>12,679,378</b>	<b>1,399,784</b>	<b>-</b>	<b>7,749,188</b>	<b>-</b>	<b>65,069,623</b>
<b>Total interest rate sensitivity gap</b>	<b>10,964,111</b>	<b>(2,601,998)</b>	<b>(10,298,717)</b>	<b>3,767,945</b>	<b>2,059,019</b>			

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

<sup>^</sup> Includes specific allowances and general allowances amounting to RM782,854,000.

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 46 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

#### A Interest/profit rate risk (continued)

	The Bank 2007							Trading book	Total
	Non-trading book								
	Up to 1 month	1 – 3 months	3 - 12 months	1 – 5 years	Over 5 years	Non- interest sensitive			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
<b>Assets</b>									
Cash and short-term funds	14,527,000	-	-	-	-	353,849	-	14,880,849	
Securities purchased under resale agreements	2,366,332	1,128,977	-	-	-	-	-	3,495,309	
Deposits and placements with banks and other financial institutions	-	6,497,697	2,549,461	-	-	-	-	9,047,158	
Securities held at fair value through profit or loss	-	-	-	-	-	-	3,217,357	3,217,357	
Available-for-sale securities	121,182	302,279	144,325	2,047,916	51,483	11,123*	-	2,678,308	
Held-to-maturity securities	1,140,242	601,273	218,391	35,925	-	38,178	-	2,034,009	
Loans, advances and financing									
- performing	22,515,294	345,259	1,628,970	2,223,467	1,089,184	(416,938) <sup>^</sup>	-	27,385,236	
- non-performing	-	-	-	-	-	580,749 <sup>^</sup>	-	580,749	
Other assets	-	-	-	-	-	812,195	-	812,195	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,036,625	-	1,036,625	
Investment in subsidiary companies	-	-	-	-	-	577,041	-	577,041	
Prepaid lease payments	-	-	-	-	-	5,923	-	5,923	
Property and equipment	-	-	-	-	-	229,390	-	229,390	
Intangible assets	-	-	-	-	-	32,171	-	32,171	
Deferred tax assets	-	-	-	-	-	149,078	-	149,078	
<b>Total assets</b>	<b>40,670,050</b>	<b>8,875,485</b>	<b>4,541,147</b>	<b>4,307,308</b>	<b>1,140,667</b>	<b>3,409,384</b>	<b>3,217,357</b>	<b>66,161,398</b>	
<b>Liabilities</b>									
Deposits from customers	27,362,555	7,175,119	12,262,800	336,471	-	4,736,354	-	51,873,299	
Deposits and placements of banks and other financial institutions	4,289,046	680,524	68,820	-	-	230	-	5,038,620	
Obligations on securities sold under repurchase agreements	1,087,015	42,506	-	-	-	-	-	1,129,521	
Bills and acceptance payable	55,104	45,159	6,727	5	-	455,500	-	562,495	
Short term syndicated loan	-	-	509,850	-	-	-	-	509,850	
Other liabilities	-	-	-	-	-	1,843,864	-	1,843,864	
Subordinated obligations	-	-	-	671,657	-	-	-	671,657	
Provision for taxation	-	-	-	-	-	38,409	-	38,409	
<b>Total liabilities</b>	<b>32,793,720</b>	<b>7,943,308</b>	<b>12,848,197</b>	<b>1,008,133</b>	<b>-</b>	<b>7,074,357</b>	<b>-</b>	<b>61,667,715</b>	
<b>Total interest rate sensitivity gap</b>	<b>7,876,330</b>	<b>932,177</b>	<b>(8,307,050)</b>	<b>3,299,175</b>	<b>1,140,667</b>				

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

<sup>^</sup> Includes specific allowances and general allowances amounting to RM806,562,000.

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 46 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

#### A Interest/profit rate risk (continued)

The table below summarises the effective average interest rates by major currencies for each class of financial asset and financial liabilities.

	The Group			
	2008		2007	
	RM %	USD %	RM %	USD %
<b>Financial assets</b>				
Cash and short term funds	3.8	3.1	3.6	5.4
Securities purchased under resale agreement	3.5	-	3.5	-
Deposits and placements with banks and other financial institutions	3.8	3.1	3.6	5.3
Securities held at fair value through profit and loss	3.5	-	4.0	-
Available-for-sale securities	4.3	4.9	4.3	4.5
Held-to-maturity securities	3.6	-	3.8	-
Loans, advances and financing	6.4	3.0	6.6	5.4
<b>Financial liabilities</b>				
Deposits from customers	3.0	3.8	3.0	6.1
Deposits and placements of banks and other financial institutions	3.5	3.3	3.5	5.4
Obligations on securities sold under repurchase agreements	-	-	3.6	-
Bills and acceptance payable	3.7	-	3.6	-
Subordinated obligations	-	5.2	-	5.2
Syndicated short term loan	-	-	-	5.1

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 46 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

#### A Interest/profit rate risk (continued)

The table below summarises the effective average interest rates by major currencies for each class of financial asset and financial liabilities.

	The Bank			
	2008		2007	
	RM %	USD %	RM %	USD %
<b>Financial assets</b>				
Cash and short term funds	3.8	3.1	3.6	5.4
Securities purchased under resale agreement	3.5	-	3.5	-
Deposits and placements with banks and other financial institutions	3.8	3.1	3.6	5.3
Securities held at fair value through profit and loss	3.4	-	4.0	-
Available-for-sale securities	4.3	4.9	4.4	4.5
Held-to-maturity securities	3.5	-	3.8	-
Loans, advances and financing	6.5	3.0	6.7	5.4
<b>Financial liabilities</b>				
Deposits from customers	2.9	3.8	2.9	6.1
Deposits and placements of banks and other financial institutions	3.5	3.3	3.5	5.4
Obligations on securities sold under repurchase agreement	-	-	3.6	-
Bills and acceptance payable	3.8	-	3.6	-
Subordinated obligations	-	5.2	-	5.2
Syndicated short term loan	-	-	-	5.1



## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 46 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

#### B Credit risk

The following table sets out the credit risk concentrations of the Group and the Bank by classes of financial assets:

	The Group 2008									
	Short term funds and placements with financial institutions	Securities held at fair value through profit or loss	Available- for-sale securities	Held-to- maturity securities	Loans, advances and financing	Other assets	Statutory deposits with Bank Negara Malaysia	On-balance sheet total	Treasury related commitments and contingencies	Credit related commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-	9,988	509,271	172	-	519,431	8,709	457,749
Mining and quarrying	-	-	-	-	27,087	-	-	27,087	238,508	16,625
Manufacturing	-	-	5,567	2,085	3,009,380	-	-	3,017,032	1,943,677	3,164,561
Electricity, gas and water	-	-	5,158	46,852	50,025	206	-	102,241	15,624	53,013
Construction	-	-	48,899	760	777,574	-	-	827,233	-	519,208
Wholesale and retail	-	-	4,758	72,127	3,265,982	-	-	3,342,867	-	2,854,557
Transport, storage and communications	-	-	29,521	16,474	390,628	215	-	436,838	30,601	234,421
Finance, insurance, real estate and business services	7,076,003	2,786,102	1,898,197	2,014,570	1,443,157	26,030	-	15,244,059	59,531,555	995,864
Government and government agencies	17,326,311	1,996,491	3,836,291	812,491	1,592	113,693	1,315,464	25,402,333	-	-
Education, health and others	-	-	-	-	328,836	-	-	328,836	-	184,837
Household	-	-	-	-	23,998,701	-	-	23,998,701	1,944	9,736,563
Others	-	-	-	-	1,294,465	-	-	1,294,465	895,777	757,752
	24,402,314	4,782,593	5,828,391	2,975,347	35,096,698	140,316	1,315,464	74,541,123	62,666,395	18,975,150

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 46 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

#### B Credit risk (continued)

	The Group 2007									
	Short term funds and placements with financial institutions	Securities held at fair value through profit or loss	Available- for-sale securities	Held-to- maturity securities	Loans, advances and financing	Other assets	Statutory deposits with Bank Negara Malaysia	On-balance sheet total	Treasury related commitments and contingencies	Credit related commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	996	-	363,132	85	-	364,213	101,939	282,681
Mining and quarrying	-	-	-	-	36,351	-	-	36,351	-	9,137
Manufacturing	-	-	3,424	1,047	2,330,022	663	-	2,335,156	1,390,261	2,271,149
Electricity, gas and water	-	-	-	57,410	32,683	942	-	91,035	81,952	-
Construction	-	20,460	20,388	5,881	879,317	398	-	926,444	423,761	311,572
Wholesale and retail	-	-	16,965	5,158	3,184,356	271	-	3,206,750	121,813	2,011,679
Transport, storage and communications	-	93,725	57,201	15,696	285,049	950	-	452,621	47,701	125,248
Finance, insurance, real estate and business services	9,351,730	1,422,175	801,200	2,066,494	1,281,008	126,423	-	15,049,030	54,819,928	693,914
Government and government agencies	19,280,653	1,820,814	1,920,267	288,654	91,102	63,080	1,206,939	24,671,509	-	-
Education, health and others	-	-	-	-	321,573	-	-	321,573	-	-
Household	-	-	-	-	22,087,686	-	-	22,087,686	-	10,485,633
Others	-	-	-	-	1,211,701	-	-	1,211,701	290,399	3,150,497
	28,632,383	3,357,174	2,820,441	2,440,340	32,103,980	192,812	1,206,939	70,754,069	57,277,754	19,341,510

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 46 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

#### B Credit risk (continued)

	The Bank 2008									
	Short term funds and placements with financial institutions	Securities held at fair value through profit or loss	Available- for-sale securities	Held-to- maturity securities	Loans, advances and financing	Other assets	Statutory deposits with Bank Negara Malaysia	On-balance sheet total	Treasury related commitments and contingencies	Credit related commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-	9,988	447,072	172	-	457,232	8,709	415,372
Mining and quarrying	-	-	-	-	23,473	-	-	23,473	238,508	16,440
Manufacturing	-	-	5,567	2,085	2,731,938	-	-	2,739,590	1,943,677	3,028,304
Electricity, gas and water	-	-	5,158	46,852	41,661	206	-	93,877	15,624	52,727
Construction	-	-	33,871	760	704,765	-	-	739,396	-	511,520
Wholesale and retail	-	-	4,758	72,127	3,011,401	-	-	3,088,286	-	2,755,806
Transport, storage and communications	-	-	29,521	16,474	326,037	-	-	372,032	30,601	232,489
Finance, insurance, real estate and business services	7,014,544	2,784,386	1,750,451	1,948,493	1,303,424	20,996	-	14,822,294	59,531,555	960,477
Government and government agencies	15,515,949	1,119,308	3,174,535	752,186	1,533	112,701	1,170,500	21,846,712	-	-
Education, health and other	-	-	-	-	286,666	-	-	286,666	-	179,700
Household	-	-	-	-	20,642,603	-	-	20,642,603	1,944	9,276,982
Others	-	-	-	-	1,268,597	-	-	1,268,597	895,777	578,955
	22,530,493	3,903,694	5,003,861	2,848,965	30,789,170	134,075	1,170,500	66,380,758	62,666,395	18,008,772

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 46 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

#### B Credit risk (continued)

	The Bank 2007									
	Short term funds and placements with financial institutions	Securities held at fair value through profit or loss	Available- for-sale securities	Held-to- maturity securities	Loans, advances and financing	Other assets	Statutory deposits with Bank Negara Malaysia	On-balance sheet total	Treasury related commitments and contingencies	Credit related commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-	-	276,318	85	-	276,403	101,939	233,816
Mining and quarrying	-	-	-	-	32,664	-	-	32,664	-	9,137
Manufacturing	-	-	3,424	1,047	2,147,193	663	-	2,152,327	1,390,261	2,247,630
Electricity, gas and water	-	-	-	37,275	25,046	643	-	62,964	81,952	-
Construction	-	20,460	20,388	5,881	808,774	398	-	855,901	423,761	307,876
Wholesale and retail	-	-	16,965	5,158	3,013,338	271	-	3,035,732	121,813	1,995,980
Transport, storage and communications	-	93,725	25,413	15,696	209,272	663	-	344,769	47,701	122,236
Finance, insurance, real estate and business services	9,501,938	1,470,846	694,720	1,790,886	1,173,436	119,391	-	14,751,217	54,819,071	677,686
Government and government agencies	17,921,378	1,501,966	1,915,267	151,586	91,102	62,472	1,036,625	22,680,396	-	-
Education, health and others	-	-	-	-	274,012	-	-	274,012	-	-
Household	-	-	-	-	19,287,664	-	-	19,287,664	-	10,321,096
Others	-	-	-	-	1,036,890	-	-	1,036,890	290,397	3,074,338
	27,423,316	3,086,997	2,676,177	2,007,529	28,375,709	184,586	1,036,625	64,790,939	57,276,895	18,989,795

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 47 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the balance sheet date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

The fair values are based on the following methodologies and assumptions:

#### **Short term funds and placements with financial institutions**

For short term funds and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For short term funds and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

#### **Securities purchased under resale agreements**

The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities of six months and above, the estimated fair values are based on discounted cash flows using market rates for the remaining term to maturity.

#### **Securities held at fair value through profit or loss, available-for-sale and held-to-maturity**

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Bank establish the fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

#### **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.

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 47 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

#### Deposits from customer

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.

#### 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, property and equipment, intangible assets and deferred tax assets.

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 47 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

#### Non-financial assets and liabilities (continued)

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:

On-balance sheet items	The Group			
	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000

#### Financial assets:

Loans, advances and financing <sup>#</sup>	34,534,024	34,054,745	31,654,774	31,196,261
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On-balance sheet items	The Bank			
	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000

#### Financial assets:

Loans, advances and financing <sup>#</sup>	30,306,207	30,098,407	27,965,985	27,772,536
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# The carrying amount of loans, advances and financing at the balance sheet date were not reduced to their estimated fair values which were a result of the increase in interest rates during the year, and the Board of Directors is of the view that there are no further impairment other than that already provided for. Loans, advances and financing have been assessed with impairment allowances being made in accordance with BNM/GP3.

### 48 EQUITY COMPENSATION BENEFITS

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

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

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

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

#### **48 EQUITY COMPENSATION BENEFITS (continued)**

##### **Executive Share Option Scheme (“ESOS” or “Scheme”) (continued)**

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.

During the financial year ended 30 June 2008, 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; and
- (c) 12,835,000 share options at an exercise price of RM5.99.

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 2008 (continued)

### 48 EQUITY COMPENSATION BENEFITS (continued)

#### Executive Share Option Scheme (“ESOS” or “Scheme”) (continued)

The number and market values of the ordinary shares held by the Trustee are as follows:

	The Group and The Bank			
	2008		2007	
	Number of trust shares held	Market value	Number of trust shares held	Market value
	‘000	RM’000	‘000	RM’000
At 1 July	50,000	292,500	30,480	155,448
Shares purchased	-	-	19,520	111,906
At 30 June	50,000	292,500	50,000	317,500

The ordinary share options of the Bank granted under the ESOS as at 30 June 2008 are as follows:

- (a) 4,500,000 share options at an exercise price of RM5.72:

Grant date	Expiry date	As at 1 July 2007	Granted	Exercised	As at 30 June 2008
29 August 2007	August 2010*	-	1,350,000	-	1,350,000
29 August 2007	August 2011*	-	1,575,000	-	1,575,000
29 August 2007	August 2012*	-	1,575,000	-	1,575,000
		-	4,500,000	-	4,500,000

\* The exercise period is up to 12 months from the date of notification of entitlement (“Vesting Date”)

The estimated fair value of each share option granted is between RM0.87 to RM1.01 per options. This was calculated using the Black-Scholes model. The model inputs were the share price at grant date of RM5.85, exercise price of RM5.72, expected volatility of 24%, expected yield of 4% and a risk free interest rate of 4%.

The options outstanding at 30 June 2008 had an exercise price of RM5.72 and a weighted average remaining contractual life (from grant date to the end of exercise period) of 5 years.

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 48 EQUITY COMPENSATION BENEFITS (continued)

#### Executive Share Option Scheme (“ESOS” or “Scheme”) (continued)

(b) 21,800,000 share options at an exercise price of RM6.05:

Grant date	Expiry date	As at 1 July 2007	Granted	Exercised	As at 30 June 2008
30 April 2008	January 2010*	-	2,616,000	-	<b>2,616,000</b>
30 April 2008	January 2011^	-	2,616,000	-	<b>2,616,000</b>
30 April 2008	January 2012#	-	1,308,000	-	<b>1,308,000</b>
30 April 2008	January 2012*	-	6,104,000	-	<b>6,104,000</b>
30 April 2008	January 2013^	-	6,104,000	-	<b>6,104,000</b>
30 April 2008	January 2014#	-	3,052,000	-	<b>3,052,000</b>
		-	<b>21,800,000</b>	-	<b>21,800,000</b>

\* The exercise period is up to 6 months from the date of notification of entitlement (“Vesting Date”)

^ The exercise period is from 13th month to 18th month from the Vesting Date

# The exercise period is from 25th month to 30th month from the Vesting Date

The estimated fair value of each share option granted is between RM0.73 to RM1.15 per option. This was calculated using the Black-Scholes model. The model inputs were the share price at grant date of RM6.10, exercise price of RM6.05, expected volatility of 25%, expected yield of 4% and a risk free interest rate of 4%.

(c) 12,835,000 share options at an exercise price of RM5.99:

Grant date	Expiry date	As at 1 July 2007	Granted	Exercised	As at 30 June 2008
10 June 2008	January 2010*	-	1,540,200	-	<b>1,540,200</b>
10 June 2008	January 2011^	-	1,540,200	-	<b>1,540,200</b>
10 June 2008	January 2012#	-	770,100	-	<b>770,100</b>
10 June 2008	January 2012*	-	3,593,800	-	<b>3,593,800</b>
10 June 2008	January 2013^	-	3,593,800	-	<b>3,593,800</b>
10 June 2008	January 2014#	-	1,796,900	-	<b>1,796,900</b>
		-	<b>12,835,000</b>	-	<b>12,835,000</b>

\* The exercise period is up to 6 months from the date of notification of entitlement (“Vesting Date”)

^ The exercise period is from 13th month to 18th month from the Vesting Date

# The exercise period is from 25th month to 30th month from the Vesting Date

The estimated fair value of each share option granted is between RM0.65 to RM1.08 per option. This was calculated using the Black-Scholes model. The model inputs were the share price at grant date of RM6.05, exercise price of RM5.99, expected volatility of 23%, expected yield of 4% and a risk free interest rate of 4%.

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 49 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 25 August 2008.

### 50 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 2008, 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 two years of operations. MERCER has considered the Ultimate Loss Ratio ("ULR") for the IBNR estimates. The method requires a selected ULR to be applied to net earned contribution in order to project the amount of ultimate claims incurred for each loss year, then subtract claims incurred for known claims from the projected ultimate claims incurred for each loss year in order to estimate the amount of claims to be incurred for IBNR claims.

Assumptions regarding the ULR vary by class of business and take into account the following:

- (i) HLTMT's claims incurred development to date;
- (ii) Net contribution remaining after deducting wakalah fee; and
- (iii) The industry loss experience.

#### Actuarial liabilities for family takaful fund

For family takaful plans, the actuarial liabilities are determined by HLTMT's Appointed Actuary and were set up based on the unearned contribution reserve basis in which the proportion is equivalent to the ratio of the period from the valuation date to the period of next Tabarru deferred period and the period of cover provided by the risk charges recognised.

The following methodology is used in determining the unearned contribution reserve:

For long term liabilities, which currently consist of Mortgage Reducing Term Takaful policies, the cash flow reserves are set up for mortality benefits on a best estimate basis, which results in reserves being equal to a proportion of the risk charges, for unexpired risk or unearned contribution. Cash flow reserves for future expenses were not set up as management expenses and commissions are paid from the shareholders' fund.

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 51 CHANGE IN ACCOUNTING POLICIES

The list of new accounting standards, amendments to published standards and interpretations to existing standards that are effective for the Group's and the Bank's accounting periods beginning on or after 1 July 2007 are set out in Note 1 of the Basis of preparation of the financial statements.

The following describes the impact of new standards, amendments and interpretations on the financial statements of the Group and Bank.

#### (a) Immaterial effect on financial statements

The adoption of FRS 107, 112, 117, 118, 137, the net investment in a foreign operations amendment of FRS 121 and IC Interpretation 8 Scope of FRS 2 did not have a material impact on the financial statements of the Group and the Bank.

The adoption of FRS 124 - Related Party Disclosure resulted in new disclosures requirements in the financial statements of the Group and Bank, which have been disclosed in Note 32.

#### (b) Reclassification in current year balances and effect on prior year comparatives

Set out below are changes in accounting policies that resulted in reclassification of prior year comparatives but did not affect the recognition and measurement of the Group and the Bank's net assets:

- The adoption of FRS 117 has resulted in the retrospective reclassification of long term and short term leasehold land from property, plant and equipment to prepaid lease payments. The unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transition provisions of FRS 117.

#### (c) Effect of changes in accounting policies for the financial year ended 30 June 2008 and 30 June 2007:

- The following discloses the adjustments that have been made in accordance with the transition and new provisions of the respective FRSs to each of the line items in the Group's and the Bank's income statements and balance sheets as at 30 June 2008.

Effect of changes in accounting policies for the financial year ended 30 June 2008:

	The Group	The Bank
	RM'000	RM'000
<b>Income statement</b>		
Increase in amortisation of prepaid lease payments	84	75
Decrease in depreciation of property and equipment	(84)	(75)
<b>Balance sheet</b>		
Increase in prepaid lease payments	6,286	5,403
Decrease in property and equipment	(6,286)	(5,403)

## Notes to the financial statements

for the financial year ended 30 June 2008 (continued)

### 51 CHANGE IN ACCOUNTING POLICIES (continued)

#### (c) Effect of changes in accounting policies for the financial year ended 30 June 2008 and 30 June 2007:

- (ii) The following discloses the adjustments that have been made in accordance with the transition and new provisions of the respective FRSs to each of the line items in the Group's and the Bank's income statements and balance sheets as at 30 June 2007.

Restatement of balance sheets for the financial year ended 30 June 2007:

	As previously reported	Reclassification Note 51(b)	As restated
	RM'000	RM'000	RM'000
<b>Group</b>			
<b>Assets</b>			
Property and equipment	252,369	(6,815)	245,554
Prepaid lease payments	-	-	6,815
<b>Bank</b>			
<b>Assets</b>			
Property and equipment	235,313	(5,923)	229,390
Prepaid lease payments	-	-	5,923

## Statement by directors

pursuant to Section 169(15) of the Companies Act, 1965

We, Yvonne Chia and Zulkiflee Hashim, being 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 85 to 174 are drawn up so as to give a true and fair view of:

- (a) the state of affairs of the Group and the Bank as at 30 June 2008 and of the results of their operations for the year ended on that date; and
- (b) the cash flows of the Group and the Bank for the year then ended

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  
25 August 2008

## Statutory declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, Bridget Lee Pei Jun, being 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 85 to 174 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )  
the above named Bridget Lee Pei Jun at Kuala )  
Lumpur in Wilayah Persekutuan on )  
25 August 2008 ) BRIDGET LEE PEI JUN

Before me,

**Teong Kian Meng**

Commissioner for Oaths  
25 August 2008

# Independent Auditors' Report to the members of Hong Leong Bank Berhad

(Company no: 97141-X)

(Incorporated in Malaysia)

## 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 2008 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 85 to 174.

## 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 judgment, 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.

## 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 the 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 2008 and of their financial performance and cash flows for the year then ended.

# Independent Auditors' Report to the members of Hong Leong Bank Berhad

(Company no: 97141-X)

(Incorporated in Malaysia)

## 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 accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 11 to the financial statements.
- (c) We are satisfied that the accounts 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 accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

### PricewaterhouseCoopers

(No. AF: 1146)

Chartered Accountants

### Soo Hoo Khoon Yean

(No. 2682/10/09 (J))

Chartered Accountant

Kuala Lumpur  
25 August 2008



## 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 20, Part A, Appendix 9C of the Listing Requirements of the Bursa Malaysia Securities Berhad.

### 2. ANALYSIS OF SHAREHOLDINGS AS AT 29 AUGUST 2008

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)	:	RM1,499,016,334
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 29 August 2008

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	282	1.93	8,638	0.00
100 – 1,000	3,457	23.66	3,046,156	0.20
1,001 – 10,000	9,130	62.50	33,183,401	2.21
10,001 – 100,000	1,450	9.93	41,632,753	2.78
100,001 – less than 5% of issued shares	287	1.96	345,352,667	23.04
5% and above of issued shares	3	0.02	1,075,792,719	71.77
	14,609	100.00	1,499,016,334	100.00

#### List of Thirty Largest Shareholders As At 29 August 2008

Names of Shareholders	No. of Shares	%
1. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Financial Group Berhad	828,740,168	55.29
2. Employees Provident Fund Board	124,219,219	8.29
3. Hong Leong Financial Group Berhad	122,833,332	8.19
4. AmTrustee Berhad - Exempted ESOS (HLBB)	50,000,000	3.33
5. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad	28,962,300	1.93

## Other information

(continued)

### 2. ANALYSIS OF SHAREHOLDINGS AS AT 29 AUGUST 2008 (continued)

Names of Shareholders	No. of Shares	%
6. Amanah Raya Nominees (Tempatan) Sdn Bhd - Skim Amanah Saham Bumiputera	25,268,800	1.68
7. Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Mellon Bank (Mellon)	15,540,600	1.04
8. Citigroup Nominees (Asing) Sdn Bhd - Citigroup Global Markets Limited	10,170,000	0.68
9. Valuecap Sdn Bhd	8,195,700	0.55
10. HSBC Nominees (Tempatan) Sdn Bhd - Employees Provident Fund	8,000,000	0.53
11. Pertubuhan Keselamatan Sosial	6,128,100	0.41
12. Citigroup Nominees (Asing) Sdn Bhd - Goldman Sachs International	5,823,600	0.39
13. HSBC Nominees (Asing) Sdn Bhd - Silchester International Investors International Value Equity Trust	5,447,400	0.36
14. HLG Nominee (Tempatan) Sdn Bhd - Hong Leong Equities Sdn Bhd	5,279,500	0.35
15. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U.K.)	4,886,000	0.32
16. HSBC Nominees (Asing) Sdn Bhd - Mondrian Emerging Markets Equity Fund L.P.	4,771,700	0.32
17. HLG Nominee (Tempatan) Sdn Bhd - Chew Brothers Development Corporation Sdn Bhd	4,659,385	0.31
18. Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for Prudential Fund Management Berhad	4,626,300	0.31
19. Citigroup Nominees (Asing) Sdn Bhd - Legal & General Assurance Society Limited	4,441,295	0.30
20. AllianceGroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund	4,140,000	0.27
21. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for Royal Bank Of Canada (Asia) Limited (Client's A/C)	3,935,000	0.26
22. AM Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	3,842,500	0.26
23. HSBC Nominees (Asing) Sdn Bhd - PCA Asia Oceania High Dividend Equity Mother Fund	3,840,300	0.26
24. HSBC Nominees (Asing) Sdn Bhd - Vanguard Emerging Markets Stock Index Fund	3,359,336	0.22
25. Low Poh Weng	3,300,000	0.22

## Other information

(continued)

### 2. ANALYSIS OF SHAREHOLDINGS AS AT 29 AUGUST 2008 (continued)

Names of Shareholders	No. of Shares	%
26. Cartaban Nominees (Asing) Sdn Bhd - Ishares, Inc.	3,278,400	0.22
27. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (Norges Bank)	2,942,000	0.20
28. HSBC Nominees (Asing) Sdn Bhd - Silchester International Investors International Value Equity Group Trust	2,820,900	0.19
29. Pakar Indra Sdn Bhd	2,810,500	0.19
30. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U.A.E)	2,699,660	0.18
	1,304,961,995	87.05

#### Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Bank as at 29 August 2008 are as follows:-

Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
Hong Leong Financial Group Berhad	951,573,500	63.48	8,081,600	0.54A
Hong Leong Company (Malaysia) Berhad	-	-	961,855,100	64.17B
HL Holdings Sdn Bhd	-	-	961,855,100	64.17C
Tan Sri Quek Leng Chan	-	-	961,995,100	64.18D
Hong Realty (Private) Limited	-	-	961,955,100	64.17E
Hong Leong Investment Holdings Pte Ltd	-	-	961,955,100	64.17E
Kwek Holdings Pte Limited	-	-	961,955,100	64.17E
Kwek Leng Beng	-	-	961,955,100	64.17E
Davos Investment Holdings Private Limited	-	-	961,955,100	64.17E
Kwek Leng Kee	202,500	0.01	961,955,100	64.17E
Quek Leng Chye	-	-	961,955,100	64.17E
Guoco Assets Sdn Bhd	-	-	959,655,100	64.02F
GuoLine Overseas Limited	-	-	961,855,100	64.17G
Guoco Group Limited	-	-	961,855,100	64.17G
GuoLine Capital Assets Limited	-	-	961,855,100	64.17G
Employees Provident Fund Board	143,858,819	9.60	-	-

Notes:

A Held through a subsidiary

B Held through subsidiaries

C Held through Hong Leong Company (Malaysia) Berhad ("HLCM")

D Held through HLCM and companies in which the substantial shareholder has interest

E Held through HLCM and a company in which the substantial shareholder has interest

F Held through Hong Leong Financial Group Berhad ("HLFG")

G Held through HLFG and another subsidiary.

## Other information

(continued)

### 3. DIRECTORS' INTERESTS AS AT 29 AUGUST 2008

Subsequent to the financial year end, there is no change, as at 29 August 2008, to the Directors' interests in the ordinary shares and/or warrants/options/convertible loan stocks/bonds of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 73 to 84 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 or *shares to be issued arising from the conversion of bonds	%
<b>Indirect Interests</b>		
<b>YBhg Tan Sri Quek Leng Chan in:</b>		
Hume Industries (Malaysia) Berhad	120,561,328	65.91
Hong Leong Bank Berhad	961,995,100	64.18
GuocoLand Limited ("GLL")	576,258,320	64.93
	13,619,025*	1.34**
GuocoLeisure Limited ("GL")	743,859,211#	54.37

Notes:

\*\* Based on the enlarged share capital of GLL assuming full conversion of S\$690,000,000 nominal value of GLL's convertible bonds as at 29 August 2008.

# Inclusive of GL shares which are credited/transferred to a company in which YBhg Tan Sri Quek Leng Chan has interest on 18 August 2008 pursuant to the capital distribution of shares of GL to the entitled shareholders of Camerlin Group Berhad ("CGB") via a reduction of the share capital and cancellation of CGB's share premium reserve.

### 4. SHARE BUY BACK SCHEDULE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

Month	No of shares bought back	Lowest price	Highest price	Average	Total
		paid	paid	price paid	consideration (including transaction cost)
		RM	RM	RM	RM
July 2007	-	-	-	-	-
August 2007	1,000	5.85	5.85	5.85	5,872
September 2007	674,000	5.70	5.85	5.81	3,918,232
October 2007	-	-	-	-	-
November 2007	-	-	-	-	-
December 2007	-	-	-	-	-
January 2008	-	-	-	-	-
February 2008	-	-	-	-	-
March 2008	-	-	-	-	-
April 2008	-	-	-	-	-
May 2008	-	-	-	-	-
June 2008	1,000	6.25	6.25	6.25	6,299

## Other information

(continued)

### 5 LIST OF PROPERTIES AS AT 30 JUNE 2008

	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	74	7,503	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	9	2,527	26/06/1997
3	42, Jalan Pending 93450 Kuching Sarawak	Leasehold - 99 years (31/12/2779)	Branch premises	4,425	26	2,221	27/12/1983
4	133, 135 & 137 Jalan Kampong Nyabor 96000 Sibu Sarawak	Freehold	Branch premises	4,871	16	3,168	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	17	1,523	29/06/1996
7	69, 70 & 71, Jalan Dato' Bandar Tunggai 70000 Seremban Negeri Sembilan Darul Khusus	Freehold	Branch premises	6,000	Pre-war	1,406	27/12/1994
8	26, Lorong Rahim Kajai 14 Taman Tun Dr Ismail 60000 Kuala Lumpur	Freehold	Branch premises	3,750	22	557	30/12/1986
9	120-122, Jalan Mersing 86000 Kluang Johor Darul Takzim	Leasehold - 99 years (22/8/2063)	Branch premises	3,355	42	714	31/05/1990
10	100, Jalan Gurney 72100 Bahau Negeri Sembilan Darul Khusus	Freehold	Branch premises	5,107	22	2,526	25/06/1992
11	12, 14 & 16, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	4,174	17	3,863	25/06/1992
12	6, Jalan Merdeka 96100 Sarikei Sarawak	Leasehold - 60 years (31/12/2029)	Branch premises	2,240	39	107	18/10/1969

## Other information

(continued)

### 5 LIST OF PROPERTIES AS AT 30 JUNE 2008 (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	37	31/12/1967
14	63 & 65, Jalan SS 23/15 47400 Petaling Jaya Selangor Darul Ehsan	Freehold	Branch premises	4,760	13	3,824	28/04/1997
15	24, Medan Taming 2 Taman Taming Jaya 43300 Balakong Selangor Darul Ehsan	Freehold	Branch premises	3,037	12	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	21	1,272	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	14	229	26/06/1997
18.	Lot 3073 & 3074 Jalan Abang Galau 97000 Bintulu, Sarawak	Leasehold - 60 years (12/2/2056)	Branch premises	2,582	11	1,297	26/06/1997
19.	Lot 34, Putra Industrial Park 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Warehouse	96,219	12	2,685	26/01/1995
20.	1540, Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman	Leasehold - 55 years (28/2/2028)	Branch premises	10,619	33	55	30/06/1977
21.	9A & 9B Jalan Kampong Baru 08000 Sungai Petani Kedah Darul Aman	Freehold	Branch premises	9,320	15	931	01/01/1994
22.	31, Jalan Ibrahim 08000 Sungai Petani Kedah Darul Aman	Freehold	Vacant	2,448	24	673	01/07/1988
23.	45, Jalan Burma 10500 Pulau Pinang	Freehold	Branch premises	14,277	30	2,230	24/11/1978

## Other information

(continued)

### 5. LIST OF PROPERTIES AS AT 30 JUNE 2008 (continued)

Location	Tenure	Description of property held	Gross area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date Of acquisition
24. 33A-C, Lintang Angsana Bandar Baru Air Hitam 11500 Pulau Pinang	Leasehold - 83 years (8/4/2082)	Branch premises	4,394	13	524	26/12/1995
25. 55-57, Jalan Yang Kalsom 30250 Ipoh Perak Darul Ridzuan	Freehold	Branch premises	11,720	29	1,178	01/10/1984
26. 27, Jalan Dewangsa 31000 Batu Gajah Perak Darul Ridzuan	Leasehold - 79 years (26/2/2078)	Branch premises	4,694	13	297	24/11/1995
27. 75, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan	Freehold	Branch premises	1,900	11	642	15/06/1998
28. 80 & 82, Jalan Othman 1/14 46000 Petaling Jaya Selangor Darul Ehsan	Leasehold - 90 years (15/6/2089)	Branch premises	9,062	18	1,276	01/06/1994
29. 36, Jalan Midah 1 Taman Midah, Cheras 56000 Kuala Lumpur	Freehold	Branch premises	2,700	21	216	30/11/1984
30. 19, Jalan 54, Desa Jaya 52100 Kepong Selangor Darul Ehsan	Leasehold - 99 years (8/3/2081)	Branch premises	5,859	26	371	29/11/1985
31. 55, Jalan Pasar 55100 Kuala Lumpur	Freehold	Branch premises	4,313	28	332	01/04/1980
32. Lot 111, Jalan Mega Mendung Kompleks Bandar Off Jalan Klang Lama 58200 Kuala Lumpur	Leasehold - 99 years (11/10/2076)	Branch premises	4,978	28	513	31/07/1988
33. 161, Jalan Imbi 55100 Kuala Lumpur	Freehold	Branch premises	2,454	12	2,583	14/02/1996
34. 8A-C, Jalan Station 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	12,854	15	487	22/10/1977
35. 109, Main Road 83700 Yong Peng Johor Darul Takzim	Freehold	Branch premises	2,740	20	214	01/09/1988

## Other information

(continued)

### 5 LIST OF PROPERTIES AS AT 30 JUNE 2008 (continued)

Location	Tenure	Description of property held	Gross area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date Of acquisition
36. 31 & 32, Jalan Kundang Taman Bukit Pasir 83000 Batu Pahat Johor Darul Takzim	Freehold	Branch premises	8,932	16	530	05/03/1996
37. 103, Jalan Rahmat 83000 Batu Pahat Johor Darul Takzim	Freehold	Vacant	12,222	34	661	30/06/1977
38. 26 & 28, Jalan Mersing 80050 Johor Bahru Johor Darul Takzim	Freehold	Vacant	7,040	24	1,389	22/05/1995
39. 21, Jalan Tun Razak 27600 Raub Pahang Darul Makmur	Freehold	Branch premises	4,480	22	431	26/06/1986
40. 1, Bentong Heights 28700 Bentong Pahang Darul Makmur	Freehold	Branch premises	5,432	40	40	30/06/1977
41. 36, Main Road Tanah Rata 39000 Cameron Highland Pahang Darul Makmur	Leasehold - 99 years (24/11/2039)	Branch premises	1,728	68	153	30/08/1982
42. W-1-0, W-2-0 & W-1-1 Subang Square Business Centre Jalan SS15/4G 47500 Subang Jaya Selangor Darul Ehsan	Freehold	Branch premises	4,545	9	1,908	18/12/1999
43. 2828-G-02 & 2828-1-02 Jalan Bagan Luar 12000 Butterworth Pulau Pinang	Freehold	Branch premises	12,173	9	3,618	18/12/1999
44. Lots 568-G-17 & 568-1-17 Kompleks Mutiara 3 1/2 Mile Jalan Ipoh 51200 Kuala Lumpur	Freehold	Branch premises	4,945	9	3,330	23/11/1999
45. Plot No 20, Jalan Bidor Raya 35500 Bidor Perak Darul Ridzuan	Freehold	Branch premises	3,243	9	556	23/11/1999



## Other information

(continued)

### 5 LIST OF PROPERTIES AS AT 30 JUNE 2008 (continued)

Location	Tenure	Description of property held	Gross area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date Of acquisition
46. 1, Persiaran Greentown 2 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan	Leasehold - 99 years (21/11/2094)	Branch premises	7,870	8	2,015	23/11/1999
47. Lots 39 & 40 Kompleks Munshi Abdullah 75100 Melaka	Leasehold - 99 years (24/2/2084)	Branch premises	5,988	9	1,500	31/05/1991
48. No.1 & 2 Jalan Raya 09800 Serdang Kedah Darul Aman	Freehold	Branch premises	5,840	7	422	20/09/2000
49. 133 & 135, Jalan Gopeng 31900 Kampar Perak Darul Ridzuan	Freehold	Branch premises	4,700	7	351	13/12/2000
50. 65-67, Jalan Tun HS Lee 50000 Kuala Lumpur	Freehold	Vacant	2,223	12	5,018	14/10/1996
51. 34, Jalan Yong Shook Lin 46200 Petaling Jaya Selangor Darul Ehsan	Leasehold - 99 years (09/09/2059)	Branch premises	1,875	15	573	26/11/1993
52. 8, Jalan Carpenter Street 93000 Kuching Sarawak	Leasehold - 999 years (31/12/2775)	Vacant	1,860	39	141	25/08/1969
53. 64, Jalan Tun Mustapha 87007 Labuan	Leasehold - 999 years (31/12/2775)	Branch premises	1,370	17	638	30/05/1991
54. 486, Jalan Pudu 55100 Kuala Lumpur	Freehold	Vacant	2,396	11	1,394	22/08/1997
55. Island Road Sibul Lot 454, Block 5 Sibu Town District Sarawak	Leasehold - 60 years (30/11/2055)	Vacant	10,587	12	1,279	26/02/1996
56. 159, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	3	2,614	25/11/2005
57. 163, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	3	2,690	25/10/2005
58. 1, Jalan Ambong Kiri Satu (Jalan 7) Kepong Baru 52100 Kuala Lumpur	Freehold	Vacant	13,300	2	4,094	18/10/2005

## Other information

(continued)

### 5 LIST OF PROPERTIES AS AT 30 JUNE 2008 (continued)

	<b>Location</b>	<b>Tenure</b>	<b>Description of property held</b>	<b>Gross area (Sq-ft)</b>	<b>Approx. Age (Years)</b>	<b>Net book value (RM 000)</b>	<b>Date Of acquisition</b>
59	114 & 116, Jalan Cerdas Taman Connaught 56000 Kuala Lumpur	Leasehold - 99 years (16/10/2078)	Branch premises	12,200	2	4,287	07/06/2006
60	Lot A08-A09 Jalan SS 6/5A Dataran Glomac Pusat Bandar Kelana Jaya 47301 Petaling Jaya	Freehold	Vacant	9,800	2	2,810	06/07/2006
61	No. 2 Jalan Puteri 2/4, Bandar Puteri, Puchong 47100 Selangor Darul Ehsan	Freehold	Vacant	11,850	1	5,414	26/06/2007

## 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

- Level 1  
Wisma Hong Leong  
18, Jalan Perak  
50450 Kuala Lumpur  
Tel : 03-2164 3939  
Fax : 03-2161 9730
- 147, Jalan Imbi  
55100 Kuala Lumpur  
Tel : 03-2141 1420  
Fax : 03-2141 1429
- No. 34, 36 & 38  
Jalan Petaling  
50000 Kuala Lumpur  
Tel : 03-2072 3226  
Fax : 03-2026 3048
- Lot G-06  
Wisma Bukit Bintang  
No. 28 Jalan Bukit Bintang  
55100 Kuala Lumpur  
Tel : 03-2142 9943  
Fax : 03-2144 4802
- 26, Persiaran Ara Kiri  
Lucky Garden, Bangsar  
59100 Kuala Lumpur  
Tel : 03-2093 8430  
Fax : 03-2094 3745
- No. 37, Jalan Telawi 3  
Bangsar Baru  
59100 Kuala Lumpur  
Tel : 03-2284 3709  
Fax : 03-2284 3349
- 36, Jalan Midah 1  
Taman Midah, Cheras  
56000 Kuala Lumpur  
Tel : 03-9130 8906  
Fax : 03-9131 0433
- No. 114 & 116, Jalan Cerdas  
Taman Connaught, Cheras  
56000 Kuala Lumpur  
Tel : 03-9102 1501  
Fax : 03-9102 1497
- 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
- No. 31 & 33, Jalan 1/116B  
Kuchai Entrepreneurs Park  
Off Jalan Kuchai Lama  
58200 Kuala Lumpur  
Tel : 03-7982 6462  
Fax : 03-7980 9324
- No. 6 Jalan Kenanga  
55200 Kuala Lumpur  
Tel : 03-9222 1499  
Fax : 03-9222 1507
- 471 & 473, Batu 3  
Jalan Ipoh, 51200 Kuala Lumpur  
Tel : 03-4044 4736  
Fax : 03-4044 4606
- 111, Jalan Mega Mendung  
Kompleks Bandar  
Off Jalan Kelang Lama  
58200 Kuala Lumpur  
Tel : 03-7981 4251  
Fax : 03-7982 7811
- Ground & 1st Floor  
Bangunan PLC  
No. 279 & 281  
Jalan Tuanku Abdul Rahman  
50100 Kuala Lumpur  
Tel : 03-2691 5588  
Fax : 03-2691 3629
- 1, Jalan Ambong Kiri Dua  
Kepong Baru  
52100 Kuala Lumpur  
Tel : 03-6257 1022  
Fax : 03-6251 9717
- 180-0-7 & 180-0-8  
Wisma Mahkota, Taman Maluri  
Cheras, 55100 Kuala Lumpur  
Tel : 03-9282 1507  
Fax : 03-9282 1549
- Lot G01A - G02A  
Ground Floor, Wisma MPL  
Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel : 03-2143 0641  
Fax : 03-2142 8671
- 30-34, Jalan Awan Hijau  
Oversea Union Garden  
Jalan Kelang Lama  
58200 Kuala Lumpur  
Tel : 03-7983 6612  
Fax : 03-7981 7324
- No. 1-GM Jalan Perdana 4/6  
Pandan Perdana  
55300 Kuala Lumpur  
Tel : 03-9287 7369  
Fax : 03-9287 7630
- No. 23GM & 25GM  
Jalan Pandan Indah 4/8  
Pandan Indah  
55100 Kuala Lumpur  
Tel : 03-4280 0879  
Fax : 03-4297 2258
- 55 - 57 Jalan Pasar  
55100 Kuala Lumpur  
Tel : 03-9223 5249  
Fax : 03-9223 0527
- No. 47 & 48, Jalan Chow Kit  
50350 Kuala Lumpur  
Tel : 03-4043 8390  
Fax : 03-4043 1914
- No. 71 & 73  
Jalan Radin Tengah, Zone J 4  
Bandar Baru Seri Petaling  
57000 Kuala Lumpur  
Tel : 03-9058 2349  
Fax : 03-9057 8041
- A54 Jalan Tuanku Empat  
Salak South Garden  
Off Jalan Sungei Besi  
57100 Kuala Lumpur  
Tel : 03-7982 9157  
Fax : 03-7982 9210
- 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

## Network of branches

(continued)

26. 3rd Floor,  
26, Lorong Rahim Kajai 14  
Taman Tun Dr Ismail  
60000 Kuala Lumpur  
Tel : 03-7729 3720  
Fax : 03-7728 6312
27. No. 266 & 267, Jalan Bandar 12  
Taman Melawati  
53100 Kuala Lumpur  
Tel : 03-4106 9391  
Fax : 03-4107 0152
28. No. 110 Jalan Tun Sambanthan  
50470 Kuala Lumpur  
Tel : 03-2274 1081  
Fax : 03-2273 6995
29. No. 3, Jalan 45/26  
Taman Sri Rampai  
53300 Kuala Lumpur  
Tel : 03-4025 1378  
Fax : 03-4025 4231
30. 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
31. No. 2, Jalan 22A/70A  
Desa Sri Hartamas  
50480 Kuala Lumpur  
Tel : 03-6201 3749  
Fax : 03-6201 4034
32. 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
33. No. 50, Jalan Manis 1  
Taman Segar, Cheras  
56100 Kuala Lumpur  
Tel : 03-9133 2924  
Fax : 03-9132 1370
- SELANGOR DARUL EHSAN**
34. No. 91, Lorong Memanda 1  
Ampang Point  
68000 Ampang  
Tel : 03-4252 3411  
Fax : 03-4253 2505
35. 1G-3G  
Jalan Wawasan 2/10  
Bandar Baru Ampang  
68000 Ampang  
Tel : 03-4291 0437  
Fax : 03-4292 8006
36. No. 7 & 9  
Jalan Bunga Tanjung 6A  
Taman Putra  
68000 Ampang  
Tel : 03-4292 9867  
Fax : 03-4293 9898
37. No. 68  
Lorong Batu Nilam 4A  
Bandar Bukit Tinggi  
41200 Klang  
Tel : 03-3324 2832  
Fax : 03-3324 1339
38. Wisma Keringat 2  
No. 17, Lorong Batu Caves 2  
68100 Batu Caves  
Tel : 03-6187 7464  
Fax : 03-6187 8042
39. No. 24, Medan Taming 2  
Taman Taming Jaya  
43300 Balakong  
Tel : 03-8961 5949  
Fax : 03-8961 5951
40. No. 119 & 121  
Jalan Sultan Abdul Samad  
42700 Banting  
Tel : 03-3187 6758  
Fax : 03-3187 6652
41. No. 64 Jalan BRP 1/2  
Bukit Rahman Putra  
47000 Sungai Buloh  
Tel : 03-6156 0195  
Fax : 03-6157 5610
42. 19 Jalan 54, Desa Jaya  
52100 Kepong  
Tel : 03-6276 3701  
Fax : 03-6272 2012
43. Lot G-18 & G-19  
Perdana The Palace  
Damansara Perdana  
47820 Petaling Jaya  
Tel : 03-7724 2459  
Fax : 03-7724 2167
44. No. 25-29G  
Jalan SS 21/60  
47400 Damansara Utama  
Petaling Jaya  
Tel : 03-7726 3967  
Fax : 03-7726 4037
45. No. 8, Jalan SG 1/2  
Taman Seri Gombak  
68100 Batu Caves  
Tel : 03-6184 2492  
Fax : 03-6185 2689
46. 30, Persiaran Tun Abdul Aziz  
43000 Kajang  
Tel : 03-8736 5277  
Fax : 03-8736 8133
47. 20 Jalan Goh Hock Huat  
41400 Klang  
Tel : 03-3342 8036  
Fax : 03-3344 8872
48. No. 11 & 13, Jalan M/J 1  
Taman Majlis Jaya  
Jalan Sungai Chua  
43000 Kajang  
Tel : 03-8737 6090  
Fax : 03-8737 6517
49. No. 23 & 24, Jalan KIP 1  
Taman Perindustrian KIP  
52200 Selangor  
Tel : 03-6277 4614  
Fax : 03-6272 2687
50. Wisma Amsteel Securities  
No. 1, Lintang Pekan Baru  
Off Jalan Meru  
41050 Kelang  
Tel : 03-3343 7635  
Fax : 03-3343 7621
51. No. 29  
Jalan Anggerik Vanilla N 31/N  
Kota Kemuning  
40460 Shah Alam  
Tel : 03-5123 1335  
Fax : 03-5123 1635
52. No. 64, Jalan Stesen  
45000 Kuala Selangor  
Tel : 03-3289 5958  
Fax : 03-3289 5955

## Network of branches

(continued)

53. No. 18 & 20, Jalan 20/16A  
Taman Paramount  
46300 Petaling Jaya  
Tel : 03-7876 5131  
Fax : 03-7876 4836
54. No. 48 Jalan Bandar Tiga  
Pusat Bandar Puchong  
47100 Puchong  
Tel : 03-5882 1297  
Fax : 03-5882 2869
55. No. 2, Jalan Kinrara  
Taman Kinrara, Jalan Puchong  
47100 Puchong  
Tel : 03-8075 1486  
Fax : 03-8070 1635
56. No. E-01-07 & E-01-08  
Jalan Puchong Prima 5/3  
Puchong Prima, 47100 Puchong  
Tel : 03-8068 3285  
Fax : 03-8060 5427
57. No. 14 & 15, Jalan Kenari 1  
Bandar Puchong Jaya  
47100 Puchong  
Tel : 03-8076 6697  
Fax : 03-8076 6610
58. 80 & 82 Jalan Othman (1/14)  
46000 Petaling Jaya  
Tel : 03-7781 4261  
Fax : 03-7781 0133
59. Lot 9, Jalan 227C  
46100 Petaling Jaya  
Tel : 03-7954 1896  
Fax : 03-7960 0706
60. 34 & 36  
Jalan Yong Shook Lin  
46200 Petaling Jaya  
Tel : 03-7958 1269  
Fax : 03-7958 1032
61. 39, Jalan SS2/67  
47300 Petaling Jaya  
Tel : 03-7876 9372  
Fax : 03-7876 9846
62. No. 59A, Jalan Welman  
48000 Rawang  
Tel : 03-6091 0460  
Fax : 03-6093 4482
63. 63 & 65, SS23/15  
Taman SEA  
47400 Petaling Jaya  
Tel : 03-7804 9053  
Fax : 03-7804 4049
64. No. 1 & 3  
Jalan Sri Sarawak 17  
Taman Sri Andalas  
41200 Klang  
Tel : 03-3324 2546  
Fax : 03-3324 2553
65. No. 3, Jalan Takal 15/21  
Seksyen 15  
40000 Shah Alam  
Tel : 03-5510 9023  
Fax : 03-5510 5307
66. 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
67. No. 30 Jalan Public  
Sungai Buloh New Village  
47000 Sungai Buloh  
Tel : 03-6157 4286  
Fax : 03-6156 9796
68. No. 15 & 16  
Jalan Menteri Besar 2  
New Sekinchan Business centre  
45400 Sekinchan  
Tel : 03-3241 6352  
Fax : 03-3241 6303
69. No. 39 & 41, Jalan SJ 17  
Taman Selayang Jaya  
68100 Batu Caves  
Tel : 03-6120 6813  
Fax : 03-6120 6797
70. No. 26  
Jalan Tengku Ampuan  
Zabedah D9/D, Seksyen 9  
40100 Shah Alam  
Tel : 03-5880 8047  
Fax : 03-5880 8726
71. 29-1, Jalan SP 2/1  
Taman Serdang Perdana  
43300 Seri Kembangan  
Tel : 03-8943 0795  
Fax : 03-8943 0867
72. No. 1505B, Jalan Besar  
43300 Seri Kembangan  
Tel : 03-8948 3341  
Fax : 03-8948 5031
73. No. 7 & 9  
Jalan Pasar Baru 2  
Seksyen 3  
Bandar Semenyih  
43500 Semenyih  
Tel : 03-8724 9424  
Fax : 03-8724 7743
74. 12 & 14, Jalan PJS 11/28A  
Metro Bandar Sunway  
Bandar Sunway  
46150 Petaling Jaya  
Tel : 03-5637 5396  
Fax : 03-5637 5397
75. 18, Ground Floor  
Jalan 14/14  
46100 Petaling Jaya  
Tel : 03-7956 8101  
Fax : 03-7955 0425
76. No. 174 & 174A, Jalan Besar  
42800 Tanjung Sepat  
Kuala Langat  
Tel : 03-3197 2149  
Fax : 03-3197 2257
77. 1 & 3  
Jalan Seri Tanming 1 F  
Taman Seri Tanming, Batu 9  
43200 Cheras  
Tel : 03-9100 4559  
Fax : 03-9100 3760
78. Ground Floor  
No. 22, Jalan USJ 10/1  
47620 Subang Jaya  
Tel : 03-5636 7225  
Fax : 03-5636 7230
79. 169, Jalan Teluk Pulai  
41100 Klang  
Tel : 03-3372 7333  
Fax : 03-3372 7111
80. No. 36  
Jalan Dato Shahbudin 30  
Taman Sentosa  
41200 Klang  
Tel : 03-5161 1679  
Fax : 03-5161 1919

## Network of branches

(continued)

81. No. 16, Jalan SS19/6  
47500 Subang Jaya  
Selangor  
Tel : 03-5636 8295  
Fax : 03-5632 1313

### PERLIS INDERA KAYANGAN

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

### KEDAH DARUL AMAN

83. 1540 Jalan Sultan Badlishah  
05000 Alor Setar  
Tel : 04-7317 255  
Fax : 04-7311 514

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

85. 62 & 63, Jalan Bayu Satu  
09000 Kulim  
Tel : 04-4913 612  
Fax : 04-4913 604

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

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

88. 9A & 9B  
Jalan Kampung Baru  
08000 Sungai Petani  
Tel : 04-4205 225  
Fax : 04-4226 012

### PULAU PINANG

89. 33A, B & C  
Lintang Angsana  
Bandar Baru Ayer Itam  
11500 Pulau Pinang  
Tel : 04-8269 845  
Fax : 04-8269 843

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

91. 2828-G-02 & 2828-1-02  
Jalan Bagan Luar  
12000 Butterworth  
Tel : 04-3315 660  
Fax : 04-3312 145

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

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

94. 294 & 296  
Jalan Jelutong  
11600 Penang  
Tel : 04-2812 435  
Fax : 04-2812 148

95. 19 Jalan Bertam  
13200 Kepala Batas  
Seberang Prai  
Tel : 04-5754 871  
Fax : 04-5757 688

96. 1781, Jalan Nibong Tebal  
Taman Panchor Indah  
14300 Pulau Pinang  
Tel : 04-5941 942  
Fax : 04-5942 886

97. 45 Jalan Burma  
10050 Pulau Pinang  
Tel : 04-2103 505  
Fax : 04-2262 779

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

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

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

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

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

103. No. 1  
Light Street Georgetown  
10200 Penang  
Tel : 04-2615 154  
Fax : 04-2626 360

104. No. 1-G-03, Tesco Penang  
No. 1, Leboh Tengku Kudin 1  
Bandar Jelutong  
11700 Penang  
Tel : 04-6561 420  
Fax : 04-6561 840

### PERAK DARUL RIDZUAN

105. No. 91 & 93  
Jalan Dato Lau Pak Khuan  
Ipoh Garden  
31400 Ipoh  
Tel : 05-546 5359  
Fax : 05-5 49 5158

106. N-20, Jalan Bidor Raya  
Off Jalan Persatuan  
35500 Bidor  
Tel : 05-434 1212  
Fax : 05-434 4313

107. 27 Jalan Dewangsa  
31000 Batu Gajah  
Tel : 05-365 3192  
Fax : 05-365 3190



## Network of branches

(continued)

108. 75, Jalan Sultan Idris Shah  
30000 Ipoh  
Tel : 05-2554 482  
Fax : 05-2547 335

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

110. 579 & 579A  
Jalan Pasir Puteh  
31650 Ipoh  
Tel : 05-3229 653  
Fax : 05-3229 641

111. Ground Floor  
55-57 Jalan Yang Kalsom  
30250 Ipoh  
Tel : 05-2491 539  
Fax : 05-2542 323

112. 133 & 135 Jalan Gopeng  
31900 Kampar  
Tel : 05-4665 778  
Fax : 05-4665 191

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

114. 41, Jalan Taiping  
34200 Parit Buntar  
Tel : 05-7164 689  
Fax : 05-7163 648

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

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

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

118. No. 11 & 12  
Kompleks Menara Condong  
Jalan Ah Chong  
36000 Teluk Intan  
Tel : 05-6237 277  
Fax : 05-6233 642

### **NEGERI SEMBILAN DARUL KHUSUS**

119. 100, Jalan Gurney  
72100 Bahau  
Tel : 06-4542 980  
Fax : 06-4545 358

120. 112 Jalan Yam Tuan Raden  
72000 Kuala Pilah  
Tel : 06-4816 928  
Fax : 06-4813 284

121. 9267 Jalan TS 2/1 H  
Taman Semarak 2, 71800 Nilai  
Tel : 06-7991 752  
Fax : 06-7991 755

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

123. 1278 Jalan Rasah  
70300 Seremban  
Tel : 06-7615 789  
Fax : 06-7615 801

### **PAHANG DARUL MAKMUR**

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

125. 1 Bentong Heights  
28700 Bentong  
Tel : 09-2221 080  
Fax : 09-2223 592

126. 36 Main Road, Tanah Rata  
39000 Cameron Highlands  
Tel : 05-4915 158  
Fax : 05-4911 158

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

128. 59 & 60  
Jalan Temerloh  
Locked Bag No. 9  
28409 Mentakab  
Tel : 09-2772 954  
Fax : 09-2772 995

129. 21 Jalan Tun Razak  
27600 Raub  
Tel : 09-3554 423  
Fax : 09-3554 455

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

### **KELANTAN DARUL NAIM**

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

### **TERENGGANU DARUL IMAN**

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

133. 116, Jalan Pejabat  
20000 Kuala Terengganu  
Tel : 09-6244 464  
Fax : 09-6244 261

### **MELAKA**

134. 150 & 152  
Kompleks Munshi Abdullah  
Jalan Munshi Abdullah  
75100 Melaka  
Tel : 06-2816 735  
Fax : 06-2830 399

135. 345, Jalan Ong Kim Wee  
75300 Melaka  
Tel : 06-2842 310  
Fax : 06-2830 153

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

## Network of branches

(continued)

### JOHOR DARUL TAKZIM

137. 31 & 32 Jalan Kundang  
Taman Bukit Pasir  
83000 Batu Pahat  
Tel : 07-4334 105  
Fax : 07-4317 071
138. No. 49, Jalan Jenang  
83000 Batu Pahat  
Tel : 07-4314 436  
Fax : 07-4311 681
139. 37, Jalan Harimau Tarum  
Taman Century  
80250 Johor Baharu  
Tel : 07-3335 909  
Fax : 07-3315 559
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. 120 - 122, Jalan Mersing  
86000 Kluang  
Tel : 07-7732 234  
Fax : 07-7724 170
143. Lot No. 24 & 25  
Jalan Ahmad Ujan  
Taman Kota Besar  
81900 Kota Tinggi  
Tel : 07-8832 021  
Fax : 07-8835 989
144. No. 6 & 7, Jalan Anggerik 1  
Taman Kulai Utama  
81000 Kulai  
Tel : 07-6635 282  
Fax : 07-6632 336
145. No. 70, Jalan Segamat  
85300 Labis  
Tel : 07-9251 208  
Fax : 07-9251 336
146. No. 17 & 18  
Jalan Cempaka, 81750 Masai  
Tel : 07-2526 500  
Fax : 07-2526 378

147. No. 61-1, 61-2, 61-3  
Jalan Arab, 84000 Muar  
Tel : 06-9515 127  
Fax : 06-9515 215
148. No. 2 Jalan Jati  
Taman Nusa Bestari Jaya  
81300 Skudai, Johor  
Tel : 07-5115 471  
Fax : 07-5113 492
149. 2 & 2-01  
Jalan Permas 10/7  
Bandar Baru Permas Jaya  
81750 Johor Bahru  
Tel : 07-3867 074  
Fax : 07-3880 762
150. No. 173 & 175  
Jalan Sri Pelangi  
Taman Pelangi  
80400 Johor Bahru  
Tel : 07-3353 614  
Fax : 07-3342 598
151. No. 685, Jalan Taib Pontian  
82000 Johor  
Tel : 07-6868 900  
Fax : 07-6876 561
152. No. 32 & 33, Jalan Genuang  
85000 Segamat  
Tel : 07-9312 401  
Fax : 07-9310 212
153. 6 & 8, Jalan Nakhoda 12  
Taman Ungku Tun Aminah  
81300 Skudai  
Tel : 07-5547 690  
Fax : 07-5566 682
154. No. LC 531, Jalan Payamas  
84900 Tangkak  
Tel : 06-9781 154  
Fax : 06-9784 684
155. 80 Jalan Dedap 13  
Taman Johor Jaya  
81100 Johor Bahru  
Tel : 07-3546 320  
Fax : 07-3552 311
156. No. 39 & 41  
Jalan Kebudayaan 1  
Taman Universiti  
81300 Skudai  
Tel : 07-5217 817  
Fax : 07-5217 726

157. Lot No. S122, KIP Mart  
Taman Tampoi Indah  
81200 Tampoi  
Tel : 07-2419 832  
Fax : 07-2418 061

158. 109 Main Road  
83700 Yong Peng  
Tel : 07-4672 351  
Fax : 07-4674 185

### SABAH

159. Block B, 7, 11.2 km, Jalan Tuaran  
Hiong Tiong Industrial Centre  
88815 Inanam  
Tel : 088-437 026  
Fax : 088-437 302
160. 19 Jalan Haji Saman  
P.O. Box 11989  
88821 Kota Kinabalu  
Tel : 088-235 699  
Fax : 088-218 386
161. Lot 119, Jalan Gaya  
88000 Kota Kinabalu  
Tel : 088-255 278  
Fax : 088-223 261
162. No. 5 & 6 (Ground Floor)  
Lorong Lintas Plaza 1  
Lintas Plaza  
88300 Kota Kinabalu  
Tel : 088-318 753  
Fax : 088-316 226
163. Lot 1, 2 & 3, Block 18  
Mile 4, North Road  
Bandar Indah  
90722 Sandakan  
Tel : 089-217 835  
Fax : 089-212 731
164. Ground Floor  
Wisma Sandaraya  
Humphrey Street  
90000 Sandakan  
Tel : 089-226 911  
Fax : 089-275 499
165. Ground & 1st Floor  
Lot No. 1, Block 35  
Fajar Commercial Complex  
Jalan Lembaga  
91013 Tawau  
Tel : 089-770 395  
Fax : 089-770 403



## Network of branches

(continued)

### SARAWAK

166. Sublot 6, Lot 538  
Jalan Lee Kai Teng  
P.O. Box 34  
95700 Betong  
Sarawak  
Tel : 083-472 278  
Fax : 083-472 326

167. 8-10, Lorong Maju  
P.O. Box 279  
96508 Bintangor  
Sarawak  
Tel : 084-693 431  
Fax : 084-693 689

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

169. 18, Chew Geok Lin Street  
(formerly OST)  
P.O. Box 1461  
96000 Sibul, Sarawak  
Tel : 084-336 653  
Fax : 084-316 833

170. 42, Jalan Pending  
93450 Kuching  
Sarawak  
Tel : 082-336 132  
Fax : 082-336 912

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

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

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

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

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

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

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

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

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

180. 5E, Sabu Road  
P.O. Box 106  
95007 Sri Aman, Sarawak  
Tel : 083-320 459  
Fax : 083-320 460

181. 6, Jalan Merdeka  
96100 Sarikei, Sarawak  
Tel : 084-651 115  
Fax : 084-652 784

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

183. 296-297, Central Park  
Commercial Centre  
3rd Mile, 93200 Rock Road  
Kuching, Sarawak  
Tel : 082-236 300  
Fax : 082-230 120

### LABUAN

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

### SINGAPORE

185. 20, Collyer Quay  
Unit #01-02 & 02-02  
Tung Centre  
Singapore 049319  
Tel : 02-6349 8338  
Fax : 02-6533 9340

### HONG KONG

186. 50th Floor, The Center  
99 Queen's Road Central  
Hong Kong  
Tel : 852-2283 8838  
Fax : 852-2285 3138

### BUREAU DE CHANGE

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

188. Lot LCPC 05  
Public Concourse Area  
Passenger Level  
Low Cost Airline Terminal  
64000 KLIA, Sepang  
Tel : 03-8787 3290  
Fax : 03-8787 3414



# Hong Leong Bank Berhad (97141-X)

A Member of the Hong Leong Group  
(Incorporated in Malaysia)

## 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-seventh 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, 29 October 2008 at 11.00 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 YBhg Tan Sri Quek Leng Chan as a Director		
4.	To re-elect YBhg Datuk Dr Hussein Awang as a Director		
5.	To re-elect Mr Tan Keok Yin as a Director		
6.	To re-elect Mr Quek Kon Sean as a Director		
7.	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Bank and authorise the Directors to fix their remuneration		
8.	As a special business, to approve the ordinary resolution on authority to Directors to issue shares		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2008

\_\_\_\_\_  
Number of shares held

\_\_\_\_\_  
Signature of member

### Notes:-

- If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.
- If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
- A proxy need not be a member of the Bank and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Bank.
- A member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where two proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in order for the appointments to be valid. Where a member of the Bank is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two proxies in respect of each securities account it holds with ordinary shares of the Bank standing to the credit of the said securities account.
- In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
- All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time for holding the meeting or adjourned meeting.

