

**HONG LEONG INVESTMENT BANK BERHAD**

(Company Number 43526-P)

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2010**

	Note	The Group		The Bank	
		As at 30/09/2010 RM'000	As at 30/06/2010 RM'000	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000
<b>ASSETS</b>					
Cash and short term funds		402,124	660,553	399,345	658,043
Securities purchased under resale agreements		134,563	-	134,563	-
Deposits and placements with banks and other financial institutions		90,000	45,000	90,000	45,000
Financial assets held at fair value through profit or loss	12	414,518	431,411	414,518	431,411
Financial investments available-for-sale	13	245	245	245	245
Financial investments held-to-maturity	14	89,877	10,000	89,877	10,000
Loans and advances	15	96,140	117,926	96,140	117,926
Clients' and brokers' balances	16	160,986	80,590	160,986	80,590
Other receivables	17	15,622	13,300	19,177	15,332
Statutory deposits with Bank Negara Malaysia		5,200	4,000	5,200	4,000
Tax recoverable		131	131	131	131
Investment in subsidiary companies		-	-	588	588
Deferred tax assets		51,375	52,597	51,375	52,597
Prepaid lease payments		1,131	1,131	1,131	1,131
Property and equipment		6,524	5,296	6,524	5,296
Goodwill		28,986	28,986	30,236	30,236
Intangible assets		1,253	1,229	1,253	1,229
<b>TOTAL ASSETS</b>		<b>1,498,675</b>	<b>1,452,395</b>	<b>1,501,289</b>	<b>1,453,755</b>
<b>LIABILITIES</b>					
Deposits from customers	18	38,893	31,218	38,893	31,218
Deposits and placements of banks and other financial institutions	19	849,786	600,990	849,786	600,990
Clients' and brokers' balances		286,749	223,440	286,681	222,317
Payable and other liabilities	21	32,243	309,122	33,765	310,376
<b>TOTAL LIABILITIES</b>		<b>1,207,671</b>	<b>1,164,770</b>	<b>1,209,125</b>	<b>1,164,901</b>

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2010.*

**HONG LEONG INVESTMENT BANK BERHAD**  
*(Company Number 43526-P)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2010**

	Note	The Group		The Bank	
		As at 30/09/2010 RM'000	As at 30/06/2010 RM'000	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000
<b>EQUITY</b>					
Share capital		265,535	265,535	265,535	265,535
Redeemable preference shares		1,631	1,631	1,631	1,631
Reserves		23,838	20,459	24,998	21,688
<b>TOTAL EQUITY</b>		<b>291,004</b>	<b>287,625</b>	<b>292,164</b>	<b>288,854</b>
<b>TOTAL LIABILITIES AND EQUITY</b>					
		<b>1,498,675</b>	<b>1,452,395</b>	<b>1,501,289</b>	<b>1,453,755</b>
<b>COMMITMENTS AND CONTINGENCIES</b>					
	27	<b>3,379,212</b>	<b>3,492,940</b>	<b>3,379,212</b>	<b>3,492,940</b>
<b>CAPITAL ADEQUACY</b>					
<b><u>Before and after deducting proposed dividends</u></b>					
	28				
Core Capital Ratio		32.2%	33.0%	32.2%	33.1%
Risk-Weighted Capital Ratio		32.8%	33.6%	32.6%	33.5%
<b>Net assets per share attributable to ordinary equity holder of the Bank (RM)</b>					
		<b>1.10</b>	<b>1.08</b>	<b>1.10</b>	<b>1.09</b>

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2010.*

**HONG LEONG INVESTMENT BANK BERHAD**  
*(Company Number 43526-P)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010**

		<b>Current quarter ended 30/09/2010 RM'000</b>	<b>Last year's quarter ended 30/09/2009 RM'000</b>	<b>Current year ended 30/09/2010 RM'000</b>	<b>Last year's ended 30/09/2009 RM'000</b>
	<b>Note</b>				
<b><u>The Group</u></b>					
Operating revenue		<b>25,484</b>	16,948	<b>25,484</b>	16,948
Interest income	22	<b>9,666</b>	3,091	<b>9,666</b>	3,091
Interest expense	23	<b>(6,410)</b>	(778)	<b>(6,410)</b>	(778)
Net interest income		<b>3,256</b>	2,313	<b>3,256</b>	2,313
Other operating income	24	<b>15,818</b>	13,857	<b>15,818</b>	13,857
Net income		<b>19,074</b>	16,170	<b>19,074</b>	16,170
Other operating expenses	25	<b>(11,578)</b>	(8,521)	<b>(11,578)</b>	(8,521)
Operating profit		<b>7,496</b>	7,649	<b>7,496</b>	7,649
Write-back for impairment on loans and advances	26	<b>491</b>	60	<b>491</b>	60
Profit before taxation		<b>7,987</b>	7,709	<b>7,987</b>	7,709
Taxation		<b>(1,978)</b>	(1,902)	<b>(1,978)</b>	(1,902)
Net profit for the period		<b>6,009</b>	5,807	<b>6,009</b>	5,807
Earnings per RM1.00 share:					
- basic and diluted (sen)		<b>2.3</b>	4.7	<b>2.3</b>	4.7

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2010.*

**HONG LEONG INVESTMENT BANK BERHAD**  
**(Company Number 43526-P)**  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010**

	Current quarter ended 30/09/2010 RM'000	Last year's quarter ended 30/09/2009 RM'000	Current year ended 30/09/2010 RM'000	Last year's ended 30/09/2009 RM'000
Note				
<b><u>The Group</u></b>				
Net profit for the period	6,009	5,807	6,009	5,807
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>6,009</u>	<u>5,807</u>	<u>6,009</u>	<u>5,807</u>

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2010.*

**HONG LEONG INVESTMENT BANK BERHAD**  
*(Company Number 43526-P)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010**

	Current quarter ended 30/09/2010	Last year's quarter ended 30/09/2009	Current year ended 30/09/2010	Last year's ended 30/09/2009
Note	RM'000	RM'000	RM'000	RM'000
<b><u>The Bank</u></b>				
Operating revenue	<b>25,383</b>	16,800	<b>25,383</b>	16,800
Interest income	22 <b>9,666</b>	3,091	22 <b>9,666</b>	3,091
Interest expense	23 <b>(6,410)</b>	(778)	23 <b>(6,410)</b>	(778)
Net interest income	<b>3,256</b>	2,313	<b>3,256</b>	2,313
Other operating income	24 <b>15,717</b>	13,709	24 <b>15,717</b>	13,709
Net income	<b>18,973</b>	16,022	<b>18,973</b>	16,022
Other operating expenses	25 <b>(11,546)</b>	(8,476)	25 <b>(11,546)</b>	(8,476)
Operating profit	<b>7,427</b>	7,546	<b>7,427</b>	7,546
Write-back for impairment on loans and advances	26 <b>491</b>	60	26 <b>491</b>	60
Profit before taxation	<b>7,918</b>	7,606	<b>7,918</b>	7,606
Taxation	<b>(1,978)</b>	(1,902)	<b>(1,978)</b>	(1,902)
Net profit for the period	<b>5,940</b>	5,704	<b>5,940</b>	5,704
Earnings per RM1.00 share:				
- basic and diluted (sen)	<b>2.2</b>	4.6	<b>2.2</b>	4.6

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2010.*

**HONG LEONG INVESTMENT BANK BERHAD**  
*(Company Number 43526-P)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010**

	Current quarter ended 30/09/2010 Note	Last year's quarter ended 30/09/2009 RM'000	Current year ended 30/09/2010 RM'000	Last year's ended 30/09/2009 RM'000
<b><u>The Bank</u></b>				
Net profit for the period	5,940	5,704	5,940	5,704
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<b>5,940</b>	5,704	<b>5,940</b>	5,704

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2010.*

**HONG LEONG INVESTMENT BANK BERHAD**  
 (Company Number 43526-P)  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010**

	Share Capital RM'000	Redeemable Preference Share RM'000	Share Premium RM'000	Non-Distributable Reserves Statutory Reserves RM'000	Distributable Reserves Retained Profits RM'000	Total RM'000
<b><u>The Group</u></b>						
<b>At 1 July 2010</b>	265,535	1,631	-	11,044	9,415	287,625
- effect of adopting FRS139	-	-	-	-	(2,630)	(2,630)
At 1 July 2010, as restated	<b>265,535</b>	<b>1,631</b>	<b>-</b>	<b>11,044</b>	<b>6,785</b>	<b>284,995</b>
Net profit for the period	-	-	-	-	6,009	6,009
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	6,009	6,009
<b>At 30 September 2010</b>	<b>265,535</b>	<b>1,631</b>	<b>-</b>	<b>11,044</b>	<b>12,794</b>	<b>291,004</b>
At 1 July 2009	123,500	1,631	142,035	4,362	2,743	274,271
Net profit for the period	-	-	-	-	5,807	5,807
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	5,807	5,807
At 30 September 2009	123,500	1,631	142,035	4,362	8,550	280,078

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2010.*

**HONG LEONG INVESTMENT BANK BERHAD**  
 (Company Number 43526-P)  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010**

	Share Capital RM'000	Redeemable Preference Share RM'000	Share Premium RM'000	Non-Distributable Reserves Statutory Reserves RM'000	Distributable Reserves Retained Profits RM'000	Total RM'000
<b><u>The Bank</u></b>						
<b>At 1 July 2010</b>	265,535	1,631	-	11,044	10,644	288,854
- effect of adopting FRS139	-	-	-	-	(2,630)	(2,630)
At 1 July 2010, as restated	<b>265,535</b>	<b>1,631</b>	<b>-</b>	<b>11,044</b>	<b>8,014</b>	<b>286,224</b>
Net profit for the period	-	-	-	-	5,940	5,940
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	5,940	5,940
<b>At 30 September 2010</b>	<b>265,535</b>	<b>1,631</b>	<b>-</b>	<b>11,044</b>	<b>13,954</b>	<b>292,164</b>
At 1 July 2009	123,500	1,631	142,035	4,362	3,963	275,491
Net profit for the period	-	-	-	-	5,704	5,704
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	5,704	5,704
At 30 September 2009	123,500	1,631	142,035	4,362	9,667	281,195

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2010.*



**HONG LEONG INVESTMENT BANK BERHAD**  
*(Company Number 43526-P)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30/09/2010</b>	<b>30/09/2009</b>	<b>30/09/2010</b>	<b>30/09/2009</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit before tax expense	<b>7,987</b>	7,709	<b>7,918</b>	7,606
Adjustments for non-cash items	<b>(4,442)</b>	(1,576)	<b>(4,442)</b>	(1,576)
Operating profit before changes in working capital	<b>3,545</b>	6,133	<b>3,476</b>	6,030
Changes in working capital:				
Net changes in operating assets	<b>(207,948)</b>	13,805	<b>(206,766)</b>	13,899
Net changes in operating liabilities	<b>81,359</b>	178,300	<b>82,683</b>	178,533
Net taxes received	<b>120</b>	-	<b>120</b>	-
Net cash (used in)/generated from operating activities	<b>(122,924)</b>	198,238	<b>(120,487)</b>	198,462
Net cash generated from/(used in) investing activities	<b>2,431</b>	(180,126)	<b>2,431</b>	(180,126)
Net cash used in financing activities	-	-	-	-
Net change in cash and cash equivalents	<b>(120,493)</b>	18,112	<b>(118,056)</b>	18,336
Cash and cash equivalents at beginning of the year	<b>480,828</b>	55,546	<b>478,318</b>	54,674
Cash and cash equivalents at end of the period	<b>360,335</b>	73,658	<b>360,262</b>	73,010
<b>Cash and cash equivalents comprise of:</b>				
Cash and short term funds	536,686	266,957	533,908	266,309
Less: Remisiers' and clients' trust monies	<b>(176,351)</b>	<b>(193,299)</b>	<b>(173,646)</b>	<b>(193,299)</b>
	<b>360,335</b>	<b>73,658</b>	<b>360,262</b>	<b>73,010</b>

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2010.*

**Explanatory Notes Pursuant to the Financial Reporting Standard 134 ("FRS 134") and Revised Guidelines on Financial Reporting for Licensed Institutions ("BNM/GP8") Issued by Bank Negara Malaysia ("BNM")**

**1. Basis of preparation**

The unaudited interim financial statements have been prepared in accordance with FRS134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB"). The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Group and the Bank for the year ended 30 June 2010. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 30 June 2010.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 30 June 2010, except for the adoption of the following Financial Reporting Standards ("FRS"), amendments to FRSs and IC Interpretations:

- Amendments to FRS 1 "First-time Adoption of Financial Reporting Standards" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
- Amendments to FRS 2 "Share-based Payment Vesting Conditions and Cancellations"
- FRS 7 "Financial Instruments: Disclosures"
- Amendments to FRS 139 "Financial Instruments: Recognition and Measurement", FRS 7 "Financial Instruments: Disclosures" and IC Interpretation 9 "Reassessment of Embedded Derivatives"
- FRS 101 "Presentation of Financial Statements"
- FRS 139 "Financial Instruments: Recognition and Measurement"
- Amendment to FRS 117 "Leases"
- Amendment to FRS 119 "Employee Benefits"
- Amendment to FRS 127 "Consolidated and Separate Financial Statements"
- Amendments to FRS 132 "Financial Instruments: Presentation"
- Amendments to FRS 134 "Interim Financial Reporting"
- Amendments to FRS 138 "Intangible Assets"
- IC Interpretation 9 "Reassessment of Embedded Derivatives"
- IC Interpretation 10 "Interim Financial Reporting and Impairment "
- IC Interpretation 11 "FRS 2 Group and Treasury Share Transactions"
- IC Interpretation 14 "FRS 119 The Limit on a Defined Benefit Assets, Minimum Funding Requirement and their Interaction"
- FRS 1 "First-time Adoption of Financial Reporting Standards"
- Amendments to FRS 1 "Limited Exemption from Comparative FRS 7 Disclosures for First-Time Adopters"
- Amendments to FRS 1 "Additional Exemptions for First-time Adopters"
- Amendments to FRS 2 "Share-based Payment"
- Amendments to FRS 2 "Group Cash-settled Share-based Payment Transactions"
- FRS 3 "Business Combinations"
- Amendments to FRS 7 "Improving Disclosures about Financial Instruments"
- FRS 127 "Consolidated and Separate Financial Statements"
- Amendments to FRS 138 "Intangible Assets"
- Amendments to IC Interpretation 9 "Reassessment of Embedded Derivatives"
- IC Interpretation 4 "Determining Whether an Arrangement Contain a Lease"

## **HLIB Q1 (30.9.2010)**

### **1. Basis of preparation (continued)**

The adoption of these FRSs, amendments to FRSs and IC Interpretations did not have any significant financial impact on the results of the Group and the Bank. The principal effects of the changes in accounting policies arising from the adoption of FRS 139 and its related amendments to FRSs and IC Interpretations are disclosed in Note 29.

Amendments to FRS 139 included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe the use of an alternative basis for collective assessment of impairment by banking institutions. This transitional arrangement, as prescribed in the BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing, and its principal effects are also disclosed in Note 29.

### **2. Auditors' report on preceding annual financial statements**

The auditors' report on the audited financial statements for the financial year ended 30 June 2010 was not qualified.

### **3. Comments about seasonal or cyclical factors**

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical factors during the financial quarter ended 30 September 2010.

### **4. Unusual items due to their nature, size or incidence**

There were no unusual items affecting the assets, liabilities, equities, net income or cash flows of the Group and the Bank during the financial quarter ended 30 September 2010.

### **5. Change in estimate**

There were no material changes in estimate of amount reported in prior financial year that have a material effect in the financial quarter ended 30 September 2010.

### **6. Debt and Equity Securities**

There were no new issuance and repayment of debt and equity securities, share-buy-back, share cancellations, share held as treasury shares and resale of treasury shares during the financial quarter ended 30 September 2010.

### **7. Dividends**

There was no dividend has been paid during the financial quarter ended 30 September 2010.

## **HLIB Q1 (30.9.2010)**

### **8. Valuations of Property, Plant and Equipment**

No valuations of property, plant and equipment were carried out for the financial quarter ended 30 September 2010.

### **9. Subsequent Events**

On 22 April 2010, the Bank had entered into a Business Transfer Agreement with HLG Futures, whereby HLG Futures would transfer all its assets, liabilities, activity, business and the undertaking of the business carried on by HLG Futures as a going concern ("HLG Futures Business") to the Bank ("Proposed Integration") with effect from 31 July 2010 (or such other date as may be agreed by the parties hereto) ("Transfer Date").

The consideration for the transfer of the HLG Futures Business would be based on the value of the net assets of HLG Futures as at the Transfer Date, and will be satisfied by the Bank in cash.

The Proposed Integration is subject to, inter alia, the following:

- (i) obtaining the order of the High Court for the vesting of HLG Futures Business in HLIB;
- (ii) the approval of the Minister of Finance through the Securities Commission ("SC"); and
- (iii) the approval of the SC for the application for a Capital Market Service licence to carry on the business of trading futures contracts by HLIB.

The SC had, vide its letter dated 18 June 2010, informed that the transfer of HLG Futures's business to the Bank had been approved pursuant to Section 139 of the Capital Markets and Services Act 2007.

On 12 July 2010, the Bank and HLG Futures entered into a Supplemental Business Transfer Agreement to revise the Transfer Date to 2 October 2010.

On 28 July 2010, the High Court had granted the approval for the Proposed Integration.

The Proposed Integration was completed on 2 October 2010.

### **10. Performance review**

The Group achieved a profit before tax of RM8.0 million in current quarter as compared to RM7.7 million in the preceding year corresponding quarter. The increase in profit was mainly due to higher net interest income generated due to expansion of the bank's operation. In addition, higher other operating income which was mainly contributed by investment banking business was achieved in the current quarter as compared to the preceding year corresponding quarter.

### **11. Prospect for the next financial year**

The Group is expected to show satisfactory performance in the coming financial year ending 30 June 2011 with improving profitability via diversification of income source from more extensive investment banking activities.

**Financial Reporting for Licensed Institutions ("BNM/GP8")**

**12. Financial assets held at fair value through profit or loss**

**The Group and the Bank**  
**As at**                      **As at**  
**30/09/2010**              **30/06/2010**  
**RM'000**                      **RM'000**

**Financial assets held-for-trading**

Money market instruments:

Negotiable instruments of deposits

**100,013**                      45,003

Bank Negara Malaysia Bills

-                                      188,748

Bankers' acceptances

**158,018**                      -

Quoted securities in Malaysia:

Shares

**7,237**                              7,117

Unquoted securities in Malaysia:

Private debt securities

**149,250**                      190,543

Total financial assets held-for-trading

**414,518**                      **431,411**

**13. Financial investments available-for-sale**

**The Group and the Bank**  
**As at**                      **As at**  
**30/09/2010**              **30/06/2010**  
**RM'000**                      **RM'000**

Unquoted securities in Malaysia:

Shares

**245**                                      245

Total financial investments available-for-sale

**245**                                      **245**

**14. Financial investments held-to-maturity**

**The Group and the Bank**  
**As at**                      **As at**  
**30/09/2010**              **30/06/2010**  
**RM'000**                      **RM'000**

**At amortised cost**

Money market instruments:

Negotiable instruments of deposits

**30,000**                      10,000

Bank Negara Malaysia Bills

**49,734**                                      -

Unquoted securities in Malaysia:

Private debt securities

**10,143**                                      -

Total financial investments held-to-maturity

**89,877**                                      **10,000**

**HLIB Q1 (30.9.2010)**

**15. Loans and advances**

**The Group and the Bank**

	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000
<b>At amortised cost</b>		
Term loans	39,519	47,559
Share margin financing	36,785	46,647
Revolving credits	27,589	28,204
Gross loans and advances	<u>103,893</u>	<u>122,410</u>
Allowance for impaired loans and advances:		
- individual assessment allowance	(6,289)	-
- collective assessment allowance	(1,464)	-
- specific allowance	-	(2,688)
- general allowance	-	(1,796)
Net loans and advances	<u><u>96,140</u></u>	<u><u>117,926</u></u>
<b>15a. <u>By type of customer</u></b>		
Domestic business enterprises		
- Others	67,141	75,533
Individuals	35,140	45,197
Foreign non-bank entities	1,612	1,680
Gross loans and advances	<u><u>103,893</u></u>	<u><u>122,410</u></u>
<b>15b. <u>By interest rate sensitivity</u></b>		
Fixed rate		
- Other fixed rate loan/financing	36,722	46,647
Variable rate		
- Cost plus	67,171	75,763
Gross loans and advances	<u><u>103,893</u></u>	<u><u>122,410</u></u>
<b>15c. <u>By residual contractual maturity</u></b>		
Maturity within 1 year	<u>103,893</u>	122,410
Gross loans and advances	<u><u>103,893</u></u>	<u><u>122,410</u></u>
<b>15e. <u>By economic purpose</u></b>		
Working capital	52,338	60,841
Purchase of securities	51,555	61,569
Gross loans and advances	<u><u>103,893</u></u>	<u><u>122,410</u></u>

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### 15. Loans and advances (continued)

	<b>The Group and the Bank</b>	
	<b>As at</b>	<b>As at</b>
	<b>30/09/2010</b>	<b>30/06/2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>15f. Movements in impaired loans and advances ("impaired loans")</b>		
are as follows:		
Impaired loans and advances		
At 1 July		
- as previously stated	2,688	2,521
- effect of adopting FRS139	10,012	-
At 1 July, as restated	<u>12,700</u>	<u>2,521</u>
Impaired during the period/year	42	178
Recoveries	(63)	(11)
Closing balance	<u>12,679</u>	<u>2,688</u>
Gross impaired loans as a percentage of gross loans and advances	<u>12.2%</u>	<u>2.2%</u>
<b>15g. <u>Impaired loans and advances by geographical distribution</u></b>		
Malaysia	<u>12,679</u>	<u>2,688</u>
<b>15h. <u>Impaired loans and advances by economic purpose</u></b>		
Working capital	9,949	-
Purchase of securities	2,730	2,688
Gross impaired loans and advances	<u>12,679</u>	<u>2,688</u>
<b>15i. Movements in allowance for impaired loans and advances</b>		
are as follows:		
<u>Collective assessment allowance</u>		
At 1 July		
- as previously stated	-	-
- effect of adopting FRS139	1,743	-
At 1 July, as restated	<u>1,743</u>	<u>-</u>
Allowance written back during the period/year	(279)	-
Closing balance	<u>1,464</u>	<u>-</u>
As % of gross loans and advances less individual assessment allowance	<u>1.50%</u>	<u>-</u>
<u>Individual assessment allowance</u>		
At 1 July		
- as previously stated	-	-
- effect of adopting FRS139	6,247	-
At 1 July, as restated	<u>6,247</u>	<u>-</u>
Allowance made during the period/year	42	-
Closing balance	<u>6,289</u>	<u>-</u>

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**15. Loans and advances (continued)**

	<b>The Group and the Bank</b>	
	<b>As at 30/09/2010 RM'000</b>	<b>As at 30/06/2010 RM'000</b>
<u>General allowance</u>		
At 1 July		
- as previously stated	<b>1,796</b>	1,254
- effect of adopting FRS139	<b>(1,796)</b>	-
At 1 July, as restated	-	1,254
Allowance made during the period/year	-	542
Closing balance	-	<b>1,796</b>
As % of gross loans and advances less specific allowance	-	1.5%
<u>Specific allowance</u>		
At 1 July		
- as previously stated	<b>2,688</b>	2,521
- effect of adopting FRS139	<b>(2,688)</b>	-
At 1 July, as restated	-	2,521
Allowance made during the period/year	-	178
Written back during the period/year	-	(11)
Closing balance	-	<b>2,688</b>

**16. Clients' and brokers' balances**

	<b>The Group and the Bank</b>	
	<b>As at 30/09/2010 RM'000</b>	<b>As at 30/06/2010 RM'000</b>
Performing accounts	<b>161,821</b>	80,456
Impaired accounts	<b>13,697</b>	37,813
Less: Specific allowance *	<b>(13,697)</b>	(37,043)
General allowance *	<b>(204)</b>	(9)
Interest-in-suspense *	<b>(631)</b>	(627)
	<b>160,986</b>	80,590

\* In accordance with the Rules of Bursa Malaysia Securities Berhad.



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### 17. Other receivables

	The Group		The Bank	
	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000
Interest receivable	4,960	4,008	4,960	4,008
Derivative financial instruments (Note 20)	132	23	132	23
Amount due from subsidiary companies	-	-	3,555	745
Deposits and prepayments	3,089	2,876	3,089	2,876
Other receivables	7,441	6,393	7,441	7,680
	<b>15,622</b>	<b>13,300</b>	<b>19,177</b>	<b>15,332</b>

### 18. Deposits from customers

	The Group and the Bank	
	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000
<b>18a. <u>By type of deposit</u></b>		
Fixed deposits	<b>38,893</b>	31,218
<b>18b. <u>By type of customer</u></b>		
Business enterprises	38,392	31,218
Individuals	501	-
	<b>38,893</b>	<b>31,218</b>
<b>18c. The maturity structure of fixed deposits are as follows:</b>		
Due within six months	<b>38,893</b>	31,218

### 19. Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000
Licensed banks	23,513	61,000
Licensed investment banks	113,500	265,331
Other financial institutions	712,773	274,659
	<b>849,786</b>	<b>600,990</b>

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### 20. Derivative financial instruments

	The Group and the Bank	
	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000
<b>Derivatives at fair value through profit or loss</b>		
- Interest rate swaps	132	23
Total derivative financial assets	<u>132</u>	<u>23</u>
<b>Derivatives at fair value through profit or loss</b>		
- Futures	2,433	1,194
Total derivative financial liabilities	<u>2,433</u>	<u>1,194</u>

### 21. Payables and other liabilities

	The Group		The Bank	
	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000
Amount due to holding company	31	272	31	272
Amount due to subsidiary companies	-	-	89	89
Remisiers' trust deposits	10,534	10,687	10,534	10,687
Derivative financial instruments (Note 20)	2,433	1,194	2,433	1,194
Other payables and accrued liabilities	18,340	295,846	19,773	297,011
Interest payable	482	703	482	703
Post employment benefits obligation - defined contribution plan	423	420	423	420
	<u>32,243</u>	<u>309,122</u>	<u>33,765</u>	<u>310,376</u>

### 22. Interest income

	Current quarter ended 30/09/2010 RM'000	Last year's quarter ended 30/09/2009 RM'000	Current year ended 30/09/2010 RM'000	Last year's ended 30/09/2009 RM'000
	<b>The Group and the Bank</b>			
Loan and advances	1,505	817	1,505	817
Money at call and deposits placements with banks and other financial institutions	2,897	189	2,897	189
Financial assets held at fair value through profit or loss	4,442	-	4,442	-
Financial investments available-for-sale	522	1,295	522	1,295
Financial investments held-to-maturity	295	-	295	-
Others	109	790	109	790
	<u>9,770</u>	<u>3,091</u>	<u>9,770</u>	<u>3,091</u>
Accretion of discount less amortisation of premium	(104)	-	(104)	-
Total interest income	<u>9,666</u>	<u>3,091</u>	<u>9,666</u>	<u>3,091</u>
Of which:				
Interest income earned on impaired loans and advances	<u>99</u>	<u>-</u>	<u>99</u>	<u>-</u>

## 23. Interest expense

	Current quarter ended 30/09/2010 RM'000	Last year's quarter ended 30/09/2009 RM'000	Current year ended 30/09/2010 RM'000	Last year's ended 30/09/2009 RM'000
<b>The Group and the Bank</b>				
Deposits and placements of banks and other financial institutions	1,844	18	1,844	18
Deposits from customers	4,566	760	4,566	760
Total interest expense	<u>6,410</u>	<u>778</u>	<u>6,410</u>	<u>778</u>

## 24. Other operating income

	Current quarter ended 30/09/2010 RM'000	Last year's quarter ended 30/09/2009 RM'000	Current year ended 30/09/2010 RM'000	Last year's ended 30/09/2009 RM'000
<b>The Group</b>				
(a) Fee income:				
Fee on loans and advances	1,349	108	1,349	108
Arranger fees	1,459	495	1,459	495
Corporate advisory fees	1,590	-	1,590	-
Brokerage commissions	10,076	12,222	10,076	12,222
Other fee income	48	279	48	279
	<u>14,522</u>	<u>13,104</u>	<u>14,522</u>	<u>13,104</u>
(b) Net gain arising from sale of securities - held at fair value through profit or loss	1,389	-	1,389	-
	<u>1,389</u>	<u>-</u>	<u>1,389</u>	<u>-</u>
(c) Gross dividend from: - held at fair value through profit or loss	269	299	269	299
	<u>269</u>	<u>299</u>	<u>269</u>	<u>299</u>
(d) Unrealised (loss)/gain on revaluation of securities held at fair value through profit or loss	(683)	359	(683)	359
(f) Other income	321	95	321	95
Total other operating income	<u>15,818</u>	<u>13,857</u>	<u>15,818</u>	<u>13,857</u>

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**24. Other operating income (continued)**

	<b>Current quarter ended 30/09/2010 RM'000</b>	<b>Last year's quarter ended 30/09/2009 RM'000</b>	<b>Current year ended 30/09/2010 RM'000</b>	<b>Last year's ended 30/09/2009 RM'000</b>
<b>The Bank</b>				
(a) Fee income:				
Fee on loans and advances	1,349	108	1,349	108
Arranger fees	1,459	495	1,459	495
Corporate advisory fees	1,590	-	1,590	-
Brokerage commissions	10,076	12,222	10,076	12,222
Other fee (expense)/income	(53)	131	(53)	131
	<u>14,421</u>	<u>12,956</u>	<u>14,421</u>	<u>12,956</u>
(b) Net gain arising from sale of securities - held at fair value through profit or loss	<u>1,389</u>	<u>-</u>	<u>1,389</u>	<u>-</u>
	<u>1,389</u>	<u>-</u>	<u>1,389</u>	<u>-</u>
(c) Gross dividend from: - held at fair value through profit or loss	<u>269</u>	<u>299</u>	<u>269</u>	<u>299</u>
	<u>269</u>	<u>299</u>	<u>269</u>	<u>299</u>
(d) Unrealised (loss)/gain on revaluation of securities held at fair value through profit or loss	(683)	359	(683)	359
(f) Other income	321	95	321	95
Total other operating income	<u>15,717</u>	<u>13,709</u>	<u>15,717</u>	<u>13,709</u>

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### 25. Other operating expenses

	Current quarter ended 30/09/2010 RM'000	Last year's quarter ended 30/09/2009 RM'000	Current year ended 30/09/2010 RM'000	Last year's ended 30/09/2009 RM'000
<b>The Group</b>				
Personnel costs	5,232	3,790	5,232	3,790
- Salaries, allowances and bonuses	4,384	3,176	4,384	3,176
- Others	848	614	848	614
Establishment costs	3,948	2,741	3,948	2,741
- Depreciation of property and equipment	491	379	491	379
- Amortisation of intangible assets	194	114	194	114
- Rental	1,128	917	1,128	917
- Information technology expenses	1,247	911	1,247	911
- Others	888	420	888	420
Marketing expenses	226	174	226	174
- Advertisement and publicity	3	-	3	-
- Entertainment and business improvement	177	150	177	150
- Others	46	24	46	24
Administration and general expenses	2,172	1,816	2,172	1,816
- Management fees	365	342	365	342
- Teletransmission expenses	493	332	493	332
- Audit fees	32	35	32	35
- Legal and professional fees	738	740	738	740
- Others	544	367	544	367
	<b>11,578</b>	<b>8,521</b>	<b>11,578</b>	<b>8,521</b>

25. Other operating expenses (continued)

	Current quarter ended 30/09/2010 RM'000	Last year's quarter ended 30/09/2009 RM'000	Current year ended 30/09/2010 RM'000	Last year's ended 30/09/2009 RM'000
<b>The Bank</b>				
Personnel costs	5,203	3,750	5,203	3,750
- Salaries, allowances and bonuses	4,359	3,140	4,359	3,140
- Others	844	610	844	610
Establishment costs	3,948	2,741	3,948	2,741
- Depreciation of property and equipment	491	379	491	379
- Amortisation of intangible assets	194	114	194	114
- Rental	1,128	917	1,128	917
- Information technology expenses	1,247	911	1,247	911
- Others	888	420	888	420
Marketing expenses	226	174	226	174
- Advertisement and publicity	3	-	3	-
- Entertainment and business improvement	177	150	177	150
- Others	46	24	46	24
Administration and general expenses	2,169	1,811	2,169	1,811
- Management fees	365	342	365	342
- Teletransmission expenses	493	332	493	332
- Audit fees	32	35	32	35
- Legal and professional fees	738	740	738	740
- Others	541	362	541	362
	<b>11,546</b>	<b>8,476</b>	<b>11,546</b>	<b>8,476</b>

## 26. Write-back of impairment on loans and advances

	Current quarter ended 30/09/2010 RM'000	Last year's quarter ended 30/09/2009 RM'000	Current year ended 30/09/2010 RM'000	Last year's ended 30/09/2009 RM'000
<b>The Group and the Bank</b>				
Allowance for/(write-back of) losses on impaired loans and advances:				
Specific allowance				
- written back during the period	-	(11)	-	(11)
- made during the period	-	65	-	65
General allowance write-back during the period				
	-	(52)	-	(52)
Individual assessment allowance				
- made during the period	42	-	42	-
Collective assessment allowance write-back during the period				
	(279)	-	(279)	-
Allowance for losses on clients' and brokers' balances:				
Specific allowance				
- written back during the period	(525)	(35)	(525)	(35)
- made during the period	130	-	130	-
General allowance made/(write-back) during the period				
	195	(27)	195	(27)
Bad debts on clients' and brokers' balances				
- Recovered	(54)	-	(54)	-
	<u>(491)</u>	<u>(60)</u>	<u>(491)</u>	<u>(60)</u>

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### 27. Commitments and contingencies

<b>The Group and the Bank</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivatives Contracts RM'000</b>	<b>Credit Equivalent RM'000</b>	<b>Risk Weighted Amount RM'000</b>
<b>30 September 2010</b>				
<u>Commitments and contingent liabilities</u>				
Any commitment that are unconditionally cancelled at any time by the bank without prior notice				
- maturity less than 1 year	<u>269,212</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>Derivative Financial Instruments</u>				
Interest rate related contracts:				
- One year or less	680,000	-	-	-
- Over one year to five years	2,430,000	132	3,332	666
	<u>3,110,000</u>	<u>132</u>	<u>3,332</u>	<u>666</u>
	<u>3,379,212</u>	<u>132</u>	<u>3,332</u>	<u>666</u>
<b>30 June 2010</b>				
<u>Commitments and contingent liabilities</u>				
Any commitment that are unconditionally cancelled at any time by the bank without prior notice				
- maturity less than 1 year	<u>267,940</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>Derivative Financial Instruments</u>				
Interest rate related contracts:				
- One year or less	680,000	-	-	-
- Over one year to five years	2,545,000	21	1,021	204
	<u>3,225,000</u>	<u>21</u>	<u>1,021</u>	<u>204</u>
	<u>3,492,940</u>	<u>21</u>	<u>1,021</u>	<u>204</u>

The credit equivalent amount and risk weighted amount are arrived at using the credit conversion factors and risk weights as defined in the BNM's revised Risk-weighted Capital Adequacy Framework ("RWCAF").



28. Capital adequacy

The capital adequacy ratios of the Group and the Bank as at the following dates:

	The Group		The Bank	
	As at 30/09/2010	As at 30/06/2010	As at 30/09/2010	As at 30/06/2010
<b><u>Before and after deducting proposed dividends</u></b>				
Core capital ratio	32.2%	33.0%	32.2%	33.1%
Risk-weighted capital ratio	32.8%	33.6%	32.6%	33.5%

	The Group		The Bank	
	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000

Components of Tier I and Tier II capital:

<u>Tier I capital</u>				
Paid-up share capital	265,535	265,535	265,535	265,535
Retained profit	9,415	9,415	10,644	10,644
Statutory reserves	11,044	11,044	11,044	11,044
	<b>285,994</b>	285,994	<b>287,223</b>	287,223
Less: Goodwill	(28,986)	(28,986)	(30,236)	(30,236)
Deferred tax assets (net)	(52,597)	(52,597)	(52,597)	(52,597)
Total Tier I capital	<b>204,411</b>	204,411	<b>204,390</b>	204,390
<u>Tier II capital</u>				
Redeemable preference shares ("RPS")	1,631	1,631	1,631	1,631
Collective assessment allowance	1,668	-	1,668	-
General allowance	-	1,805	-	1,805
Total tier II capital	<b>3,299</b>	3,436	<b>3,299</b>	3,436
Total capital	<b>207,710</b>	207,847	<b>207,689</b>	207,826
Less: Investment in subsidiary companies	-	-	(588)	(588)
Capital base	<b>207,710</b>	207,847	<b>207,101</b>	207,238

The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's revised Risk-Weighted Capital Adequacy Framework ("RWCAF-Basel II"). The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% (2010 - 8.00%) for the risk-weighted capital ratio.

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### 28. Capital adequacy (continued)

The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current period are as follows:

	<b>The Group</b>		<b>The Bank</b>	
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>30/09/2010</b>	<b>30/06/2010</b>	<b>30/09/2010</b>	<b>30/06/2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Credit risk	<b>365,781</b>	354,669	<b>368,781</b>	356,198
Market risk	<b>163,490</b>	177,473	<b>163,490</b>	177,473
Operational risk	<b>104,632</b>	86,750	<b>102,294</b>	84,507
	<b><u>633,903</u></b>	<u>618,892</u>	<b><u>634,565</u></b>	<u>618,178</u>

The detailed disclosures on the capital base and risk-weighted assets, are presented in accordance with para 4.3 of BNM's Guidelines on Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirement (Pillar 3).

**29. Change in accounting policies and prior year adjustments**

With effect from 1 January 2005, the BNM's Revised Guidelines on Financial Reporting for Licensed Institutions ('BNM/GP8'), whereby certain principles in connection with the recognition, derecognition and measurement of financial instruments and hedge accounting are similar to those prescribed by FRS 139, have been adopted by the Group and the Bank. Therefore, the adoption of FRS 139 on 1 July 2010 has resulted in the following material changes in accounting policies as follows:

1) Impairment of loans and advances

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

Under FRS 139, the Group and the Bank first assesses individually whether objective evidence of impairment exists individually for loans.

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

In the Amendments to FRS 139 listed above, MASB has included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe an alternative basis for collective assessment of impairment by banking institutions. This transitional arrangement is prescribed in BNM's guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010, whereby banking institutions are required to maintain collective assessment impairment allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance. Subject to the written approval by BNM, banking institutions are allowed to maintain a lower collective assessment impairment allowance. The collective assessment impairment allowances of the Group and the Bank as at the reporting date has been arrived at based on this transitional arrangement issued by BNM.

**29. Change in accounting policies and prior year adjustments (continued)**

1) Impairment of loans and advances (continued)

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

	<b>The Group and the Bank</b>
	<b>RM'000</b>
i) Write back of specific allowance	(2,688)
ii) Write back of general allowance	(1,796)
iii) Opening adjustment in collective assessment allowance	1,743
iv) Opening adjustment in individual assessment allowance	6,247
v) Opening adjustment in deferred tax assets	<u>(876)</u>

2) Recognition of interest income

Prior to 1 July 2010, interest on loans and advances was recognised in the income statement at contracted interest rates. FRS 139 requires interest income to be recognised on an EIR basis. The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the loan or, when appropriate, a shorter period to the net carrying amount of the loan.

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

Upon adoption of FRS 139, once a loan has been written down due to impairment loss, interest income is recognised based on the interest rate used to discount the future cash flows for the purpose of measuring impairment loss.

3) Recognition of Embedded Derivatives

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

Based on the assessment by the Group and the Bank upon adoption of FRS 139 on 1 July 2010, there were no embedded derivatives which were not closely related to the host contracts and which required bifurcation.