

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Statements of Financial Position As At 30 September 2011

	The Group		The Bank		
	Financial Period Ended 30/09/2011	Financial Year Ended 30/06/2011	Financial Period Ended 30/09/2011	Financial Year Ended 30/06/2011	
	Note	RM'000	RM'000	RM'000	
<u>ASSETS</u>					
Cash and short-term funds		19,834,840	30,476,610	14,352,872	17,349,793
Deposits and placements with financial institutions		3,214,410	5,415,383	4,153,560	6,131,473
Securities purchased under resale agreements		-	86	-	86
Financial assets held for trading	8	11,712,010	6,023,147	9,895,098	4,471,896
Financial investments available-for-sale	9	7,896,574	5,954,139	6,032,310	2,536,925
Financial investments held-to-maturity	10	7,919,604	7,820,548	8,319,441	7,922,570
Loans, advances and financing	11	82,951,719	81,950,757	71,502,937	38,548,822
Other assets	12	1,356,498	951,929	2,566,641	428,826
Derivative financial instruments		1,344,787	790,162	1,405,731	802,776
Amount due from subsidiaries		-	-	751,001	844,671
Statutory deposits with Bank Negara Malaysia		3,166,888	2,201,874	2,629,150	988,900
Investment in subsidiary companies		-	-	2,341,242	6,088,873
Investment in associated company		1,385,169	1,325,707	946,505	946,505
Investment in jointly controlled entity		75,420	75,252	76,711	76,711
Property and equipment		686,817	646,605	656,109	349,445
Intangible assets		106,659	106,365	101,887	59,536
Goodwill		1,360,174	1,360,174	1,050,759	-
Deferred tax assets		324,107	325,935	232,849	102,281
Total Assets		143,335,676	145,424,673	127,014,803	87,650,089
<u>LIABILITIES AND SHAREHOLDERS' FUNDS</u>					
Deposits from customers	13	114,248,212	114,856,543	99,648,058	65,924,094
Deposits and placements of banks and other financial institutions	14	8,132,342	10,697,661	6,250,667	5,820,144
Bills and acceptances payable		581,049	683,996	520,970	350,474
Other liabilities	15	2,781,985	2,865,019	4,014,766	1,912,498
Derivative financial instruments		1,326,331	666,706	1,366,968	672,967
Senior bonds		952,360	910,810	952,360	910,810
Tier 2 subordinated bonds		2,916,741	2,858,493	2,915,961	1,713,260
Tier 2 capital cumulative subordinated loan		2,313,849	2,314,080	2,313,849	2,314,080
Non-innovative Tier 1 stapled securities		1,424,059	1,405,706	1,424,059	1,405,706
Innovative Tier 1 capital securities		606,264	503,069	604,648	-
Provision for taxation		177,064	197,343	147,196	58,930
Total Liabilities		135,460,256	137,959,426	120,159,502	81,082,963
Share Capital		1,580,107	1,580,107	1,580,107	1,580,107
Reserves		6,954,531	6,556,884	5,934,412	5,658,763
Less: Treasury Shares		(659,218)	(671,744)	(659,218)	(671,744)
Total Shareholders' Equity		7,875,420	7,465,247	6,855,301	6,567,126
Total Liabilities and Equity		143,335,676	145,424,673	127,014,803	87,650,089
<u>COMMITMENTS AND CONTINGENCIES</u>	25	150,307,856	138,279,839	149,789,881	115,912,569
<u>CAPITAL ADEQUACY</u>					
<u>Before deducting proposed dividends</u>					
Core capital ratio	21	8.00%	8.43%	8.22%	11.56%
Risk-weighted capital ratio	21	13.36%	14.05%	11.65%	11.56%
<u>After deducting proposed dividends</u>					
Core capital ratio	21	7.79%	8.25%	8.00%	11.19%
Risk-weighted capital ratio	21	13.15%	13.86%	11.42%	11.19%
Net asset per share attributable to ordinary equity holders of the parent (RM) *		5.41	5.13	4.71	4.52

* The Net assets per share attributable to ordinary equity holders of the parent (RM) is computed as Total Shareholders' Funds (excluding Minority Interest) divided by total number of ordinary shares in circulation

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Income Statements
For The Financial Quarter Ended 30 September 2011

The Group

	Note	Current Quarter Ended 30/09/2011 RM'000	Corresponding Quarter Ended 30/09/2010 RM'000	Current Period Ended 30/09/2011 RM'000	Corresponding Period Ended 30/09/2010 RM'000
Interest income	16	1,328,627	709,501	1,328,627	709,501
Interest expense	17	(684,370)	(334,165)	(684,370)	(334,165)
Net interest income		644,257	375,336	644,257	375,336
Net income from Islamic Banking business		96,034	46,846	96,034	46,846
Other operating income	18	176,439	117,605	176,439	117,605
Net Income		916,730	539,787	916,730	539,787
Other operating expenses	19	(435,621)	(217,999)	(435,621)	(217,999)
Operating profit before allowances		481,109	321,788	481,109	321,788
Allowance for impairment losses on loans, advances and financing	20	(23,082)	(40,997)	(23,082)	(40,997)
Write back of impairment losses		3,805	-	3,805	-
		461,832	280,791	461,832	280,791
Share of profit after tax of equity accounted associated company		61,841	36,851	61,841	36,851
Share of profit after tax of equity accounted jointly controlled entity		168	(261)	168	(261)
Profit before taxation (and zakat)		523,841	317,381	523,841	317,381
Taxation		(116,708)	(60,167)	(116,708)	(60,167)
Zakat		(23)	(14)	(23)	(14)
Net profit for the period		407,110	257,200	407,110	257,200
Attributable to:					
Owners of the parent		407,110	257,200	407,110	257,200
Non-controlling interest		-	-	-	-
Net profit for the period		407,110	257,200	407,110	257,200
Earnings per share - basic (sen)		28.0	17.7	28.0	17.7
Earnings per share - fully diluted (sen)		27.8	17.7	27.8	17.7

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Statements of Comprehensive Income
For The Financial Quarter Ended 30 September 2011

	The Group			
	Current Quarter Ended 30/09/2011 RM'000	Corresponding Quarter Ended 30/09/2010 RM'000	Current Period Ended 30/09/2011 RM'000	Corresponding Period Ended 30/09/2010 RM'000
Net profit for the financial period/year	407,110	257,200	407,110	257,200
Other comprehensive income/(loss):				
Share of other comprehensive income of associate company and jointly controlled entity	(24)	-	(24)	-
Currency translation difference	8,454	(14,431)	8,454	(14,431)
Net fair value changes on financial investments available-for-sale	(27,709)	13,527	(27,709)	13,527
Income tax relating to components of other comprehensive income/(loss)	6,927	(3,382)	6,927	(3,382)
Other comprehensive income/(loss) for the financial period/year	(12,352)	(4,286)	(12,352)	(4,286)
Total comprehensive income for the financial period/year, net of tax	<u>394,758</u>	<u>252,914</u>	<u>394,758</u>	<u>252,914</u>
Attributable to:				
- Owners of the parent	394,758	252,914	394,758	252,914
- Non-controlling interest	-	-	-	-
	<u>394,758</u>	<u>252,914</u>	<u>394,758</u>	<u>252,914</u>

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Income Statements
For The Financial Quarter Ended 30 September 2011

The Bank

	Note	Current Quarter Ended 30/09/2011 RM'000	Corresponding Quarter Ended 30/09/2010 RM'000	Current Period Ended 30/09/2011 RM'000	Corresponding Period Ended 30/09/2010 RM'000
Interest income	16	1,336,731	724,056	1,336,731	724,056
Interest expense	17	(708,810)	(352,184)	(708,810)	(352,184)
Net interest income		627,921	371,872	627,921	371,872
Other operating income	18	173,600	119,342	173,600	119,342
Net Income		801,521	491,214	801,521	491,214
Other operating expenses	19	(382,651)	(197,735)	(382,651)	(197,735)
Operating profit before allowances		418,870	293,479	418,870	293,479
Allowance for impairment losses on loans, advances and financing	20	(11,314)	(32,955)	(11,314)	(32,955)
Write back of impairment losses		1,314	-	1,314	-
Profit before taxation		408,870	260,524	408,870	260,524
Taxation		(102,932)	(61,383)	(102,932)	(61,383)
Profit after taxation		305,938	199,141	305,938	199,141
Profit attributable to shareholders		305,938	199,141	305,938	199,141
Earnings per share - basic (sen)		21.0	13.7	21.0	13.7
Earnings per share - fully diluted (sen)		20.9	13.7	20.9	13.7

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Statements of Comprehensive Income
For The Financial Quarter Ended 30 September 2011

The Bank

	Current Quarter Ended 30/09/2011 RM'000	Corresponding Quarter Ended 30/09/2010 RM'000	Current Period Ended 30/09/2011 RM'000	Corresponding Period Ended 30/09/2010 RM'000
Net profit for the financial period/year	<u>305,938</u>	<u>199,141</u>	<u>305,938</u>	<u>199,141</u>
Other comprehensive income/(loss):				
Currency translation difference	(11,038)	-	(11,038)	-
Net fair value changes on financial investments available-for-sale	(29,483)	10,329	(29,483)	10,329
Income tax relating to components of other comprehensive income	<u>7,371</u>	<u>(2,582)</u>	<u>7,371</u>	<u>(2,582)</u>
Other comprehensive gain/(loss) for the financial period/year	<u>(33,150)</u>	<u>7,747</u>	<u>(33,150)</u>	<u>7,747</u>
Total comprehensive income for the financial period/year, net of tax	<u><u>272,788</u></u>	<u><u>206,888</u></u>	<u><u>272,788</u></u>	<u><u>206,888</u></u>

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Statement of Changes in Equity For The Financial Period Ended 30 September 2011

	Attributable to owners of the parent							Retained Profit RM'000	Treasury Shares RM'000	Total Shareholders' Equity RM'000	Non-controlling Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair Value Reserve RM'000	Share options Reserve RM'000	Regulatory Reserve RM'000	Exchange Fluctuation Reserve RM'000					
The Group												
Balance as at 1 July 2011	1,580,107	539,664	1,936,654	102,211	21,121	726	(26,848)	3,983,356	(671,744)	7,465,247	-	7,465,247
<u>Comprehensive income</u>												
Net profit for the period/year	-	-	-	-	-	-	-	407,110	-	407,110	-	407,110
Share of other comprehensive income of associates	-	-	-	(24)	-	-	-	-	-	(24)	-	(24)
- Net fair value changes in financial investments available-for-sale	-	-	-	(20,782)	-	-	-	-	-	(20,782)	-	(20,782)
- Currency translation difference	-	-	-	-	-	-	8,454	-	-	8,454	-	8,454
Total comprehensive income/(loss)	-	-	-	(20,806)	-	-	8,454	407,110	-	394,758	-	394,758
<u>Transactions with owners</u>												
Transfer to statutory reserve/regulatory reserve	-	-	(1,254,376)	-	-	28	-	1,254,376	-	28	-	28
Purchase of treasury shares	-	-	-	-	-	-	-	-	(10)	(10)	-	(10)
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-
ESOS exercised	-	-	-	-	(1,833)	-	-	3,003	12,536	13,706	-	13,706
Option charge arising from ESOS granted	-	-	-	-	1,691	-	-	-	-	1,691	-	1,691
Total transactions with owners	-	-	(1,254,376)	-	(142)	28	-	1,257,379	12,526	15,415	-	15,415
Closing Balance @ 30 September 2011	1,580,107	539,664	682,278	81,405	20,979	754	(18,394)	5,647,845	(659,218)	7,875,420	-	7,875,420
Balance as at 1 July 2010	1,580,107	539,664	1,902,915	17,060	15,829	-	12,313	3,044,043	(687,908)	6,424,023	-	6,424,023
- Prior year adjustments	-	-	-	79,090	-	-	-	24,655	-	103,745	-	103,745
Balance as at 1 July 2010, as restated	1,580,107	539,664	1,902,915	96,150	15,829	-	12,313	3,068,698	(687,908)	6,527,768	-	6,527,768
<u>Comprehensive income</u>												
Net profit for the period	-	-	-	-	-	-	-	257,200	-	257,200	-	257,200
Share of other comprehensive income of associates	-	-	-	-	-	-	-	-	-	-	-	-
- Net fair value changes in financial investments available-for-sale	-	-	-	10,145	-	-	-	-	-	10,145	-	10,145
- Currency translation difference	-	-	-	-	-	-	(14,431)	-	-	(14,431)	-	(14,431)
Total comprehensive income/(loss)	-	-	-	10,145	-	-	(14,431)	257,200	-	252,914	-	252,914
<u>Transactions with owners</u>												
Transfer to statutory reserve	-	-	8,119	-	-	-	-	(8,119)	-	-	-	-
Disposal of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
ESOS exercised	-	-	-	-	(989)	-	-	1,637	6,713	7,361	-	7,361
Option charge arising from ESOS granted	-	-	-	-	2,113	-	-	-	-	2,113	-	2,113
Total transactions with owners	-	-	8,119	-	1,124	-	-	(6,482)	6,713	9,474	-	9,474
Closing Balance @ 30 September 2010	1,580,107	539,664	1,911,034	106,295	16,953	-	(2,118)	3,319,416	(681,195)	6,790,156	-	6,790,156

* The regulatory reserves are maintained by the Group's banking subsidiary company in Vietnam in line with the requirements of the State Bank of Vietnam.

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Statement of Changes in Equity For The Financial Period Ended 30 September 2011

	← Non-distributable →					Distributable			
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair value reserve RM'000	Share options Reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Profit RM'000	Treasury Shares RM'000	Total RM'000
The Bank									
Balance as at 1 July 2011	1,580,107	539,664	1,741,612	107,652	21,121	36,152	3,212,562	(671,744)	6,567,126
<u>Comprehensive income</u>									
Net profit for the period	-	-	-	-	-	-	305,938	-	305,938
- Net fair value changes in financial investments available-for-sale	-	-	-	(22,112)	-	-	-	-	(22,112)
- Currency translation difference	-	-	-	-	-	(11,038)	-	-	(11,038)
Total comprehensive income/(loss)	-	-	-	(22,112)	-	(11,038)	305,938	-	272,788
<u>Transactions with owners</u>									
Dividend paid	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	(10)	(10)
ESOS exercised	-	-	-	-	(1,833)	-	3,003	12,536	13,706
Options charge arising from ESOS granted	-	-	-	-	1,691	-	-	-	1,691
Total transactions with owners	-	-	-	-	(142)	-	3,003	12,526	15,387
Closing Balance @ 30 September 2011	1,580,107	539,664	1,741,612	85,540	20,979	25,114	3,521,503	(659,218)	6,855,301
Balance as at 1 July 2010	1,580,107	539,664	1,741,612	17,189	15,829	35,529	2,573,041	(687,908)	5,815,063
- Prior year adjustments	-	-	-	79,468	-	-	16,585	-	96,053
Balance as at 1 July 2010, as restated	1,580,107	539,664	1,741,612	96,657	15,829	35,529	2,589,626	(687,908)	5,911,116
<u>Comprehensive income</u>									
Net profit for the period	-	-	-	-	-	-	199,141	-	199,141
- Net fair value changes in financial investments available-for-sale	-	-	-	7,747	-	-	-	-	7,747
Total comprehensive income/(loss)	-	-	-	7,747	-	-	199,141	-	206,888
<u>Transactions with owners</u>									
Dividend paid	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
ESOS exercised	-	-	-	-	(989)	-	1,641	6,713	7,365
Options charge arising from ESOS granted	-	-	-	-	2,113	-	-	-	2,113
Total transactions with owners	-	-	-	-	1,124	-	1,641	6,713	9,478
Closing Balance @ 30 September 2010	1,580,107	539,664	1,741,612	104,404	16,953	35,529	2,790,408	(681,195)	6,127,482

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Condensed Statements of Cash Flows
For The Financial Period Ended 30 September 2011

	The Group		The Bank	
	Financial Period Ended 30/09/2011 RM'000	Financial Period Ended 30/09/2010 RM'000	Financial Period Ended 30/09/2011 RM'000	Financial Period Ended 30/09/2010 RM'000
Operating activities				
Profit before taxation	523,841	317,381	408,870	260,524
Adjustments for non-cash items	<u>(232,672)</u>	<u>(132,849)</u>	<u>(208,626)</u>	<u>(148,965)</u>
Operating profit before working capital changes	291,169	184,532	200,244	111,559
Income taxes and zakat paid	(77,984)	(47,797)	(71,190)	(41,083)
Net changes in working capital	<u>(8,679,355)</u>	<u>542,058</u>	<u>935,959</u>	<u>41,625</u>
Net cash flow from operating activities	(8,466,170)	678,793	1,065,013	112,101
Net cash flow from investing activities	(2,229,278)	(2,386,342)	(4,095,586)	(1,631,763)
Net cash flow from financing activities	<u>4,964</u>	<u>(10,220)</u>	<u>5,020</u>	<u>(10,220)</u>
Changes in cash and cash equivalents	(10,690,484)	(1,717,769)	(3,025,553)	(1,529,882)
Currency translation differences	48,714	(51,399)	28,632	(13,078)
Cash and cash equivalents at the beginning of year	<u>30,476,610</u>	<u>15,682,086</u>	<u>17,349,793</u>	<u>13,928,247</u>
Cash and cash equivalents at the end of period	<u>19,834,840</u>	<u>13,912,918</u>	<u>14,352,872</u>	<u>12,385,287</u>

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR FINANCIAL QUARTER ENDED 30 SEPTEMBER 2011

1 Basis of preparation

The unaudited condensed financial statements of the Group and of the Bank have been prepared in accordance with Financial Reporting Standard ("FRS") 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standard Board ("MASB") and paragraph 9.22 of the Bursa Malaysia Securities Berhad's Listing Requirements and should be read in conjunction with the Group's audited financial statements for the financial year ended 30 June 2011.

The accounting policies and presentation adopted by the Group and the Bank for the unaudited condensed financial statements are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2011, except for the adoption of the following accounting standards, amendments to published accounting standards and interpretations to existing standards which are effective on or after 1 July 2011:

Amendments to FRS 2	"Share-based payment: Group Cash-settled Share-based Payment Transactions"
Amendments to FRS 7	"Financial Instruments: Improving Disclosures about Financial Instruments"
IC Interpretation 4	"Determining Whether an Arrangement contains a lease"
IC Interpretation 19	"Extinguishing Financial Liabilities with Equity Instruments"
IC Interpretation 14	"FRS 119- The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction"

The adoption of the above accounting standards, amendments to published standards and interpretations do not give rise to any material financial effects to the Group and Bank.

2 Status of matters giving rise to the auditor's qualified report in the preceding annual financial statements for the year ended 30 June 2011

There was no qualified report issued by the auditors in the preceding annual financial statements for the year ended 30 June 2011

3 Seasonality or cyclical of operations

The business operations of the Group and the Bank have not been affected by any material seasonal and cyclical factors.

4 Exceptional items or unusual events affecting financial statements

There were no exceptional items or unusual events that materially affected the financial statements.

5 Variation from financial estimates reported in preceding financial period/year

There were no changes in estimates of amounts reported in the prior financial year that may have a material effect in the current period.

6 Issuance and repayment of debt and equity securities

Save as detailed below, there were no other new shares issuance, repayment of debt and equity securities, share buy back and share cancellations, or resale of shares held as treasury shares during the financial period ended 30 September 2011:-

a) Share Buy-back

During the financial period ended 30 September 2011, the Bank purchased a total of 1,000 ordinary shares of RM1.00 each ('Shares') from the open market. The Shares purchased were being held as treasury shares in accordance with the provision of Section 67A subsection 3(A)(b) of the Companies Act, 1965.

Details of the Shares bought back for the financial period ended 30 September 2011 were as follows:

Month	No of shares bought back	Lowest price paid RM	Highest price paid RM	Average price paid RM	Total consideration (including transaction cost) RM
Jul-11	-	-	-	-	-
Aug-11	-	-	-	-	-
Sep-11	1,000	9.71	9.71	9.71	9,763
For the period	1,000	9.71	9.71	9.71	9,763

The total number of Shares bought back, all of which were held as treasury shares as at 30 September 2011 amounted to 81,097,700 Shares, at an average price per share of RM5.32. None of the treasury shares were resold or cancelled to date.

6 Issuance and repayment of debt and equity securities (continued)

b) Purchase of shares pursuant to ESOS

A trust has been set up for the ESOS of the Bank and is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank's shares from the open market for the purposes of this trust. In accordance to FRS 132: Financial Statements: Presentation and Disclosure, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares", in addition to the Treasury Shares for share buy-back, in the Shareholders' Funds on the Balance Sheet.

During the financial period ended 30 September 2011, the trust did not purchase any new shares. As at 30 September 2011, the total number of Treasury Shares for ESOS was 42,550,440 at an average carrying value of RM5.35 per share.

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

- (a) 4,500,000 share options at an exercise price of RM5.72;
- (b) 21,800,000 share options at an exercise price of RM6.05;
- (c) 12,835,000 share options at an exercise price of RM5.99;
- (d) 200,000 share options at an exercise price of RM7.49; and
- (e) 3,095,000 share options at an exercise price of RM9.14

subject to the achievement of certain performance criteria during the performance period. The said share options, if vested, will be satisfied by the transfer of existing shares purchased by a trust established for the ESOS.

During the financial period ended 30 September 2011, a total of 2,341,760 ordinary shares of RM1 each for cash were exercised pursuant to the Company's ESOS at exercise price above per ordinary share.

7 Dividends paid

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

8 Financial assets held-for-trading

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000
Money market instruments:				
Bank Negara Malaysia bills	5,376,870	767,821	3,929,486	99,624
Malaysian Government treasury bills	98,338	49,185	59,476	49,185
Malaysian Government securities	472,237	116,718	472,237	116,718
Malaysian Government investment certificates	479,039	388,068	479,039	326,987
Bankers' acceptances and Islamic accepted bills	3,925,801	3,732,445	3,773,637	3,140,894
Negotiable instruments of deposit	607,174	458,928	428,672	357,876
Commercial papers	-	93,847	-	-
Cagamas bonds	117,925	-	117,925	-
	<u>11,077,384</u>	<u>5,607,012</u>	<u>9,260,472</u>	<u>4,091,284</u>
Quoted securities:				
Foreign currency bonds	306,610	380,612	306,610	380,612
Unquoted securities:				
Private and Islamic debt securities	328,016	35,523	328,016	-
Total financial assets held-for-trading	<u><u>11,712,010</u></u>	<u><u>6,023,147</u></u>	<u><u>9,895,098</u></u>	<u><u>4,471,896</u></u>

9 Financial investments available-for-sale

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000
Money market instruments:				
Government treasury bills	454,052	364,156	454,052	344,180
Malaysian Government securities	217,993	632,968	217,993	394,444
Malaysian Government investment certificates	2,736,924	1,911,745	1,798,777	730,269
Bank Negara Malaysia sukuk	115,475	114,695	-	-
Bank Negara Malaysia monetary notes	99,582	57,117	-	-
Bank Negara Malaysia bills	-	76,353	-	-
Negotiable instruments of deposit	-	522,051	702,152	-
Islamic negotiable instrument debt securities	850,382	28,833	-	-
Commercial papers	9,986	-	-	-
Bankers acceptances	54,196	44,853	-	-
Cagamas bonds	142,062	137,259	30,430	20,375
	<u>4,680,652</u>	<u>3,890,030</u>	<u>3,203,404</u>	<u>1,489,268</u>
Quoted Securities:				
Shares and convertible loan stocks	102,534	111,486	102,534	110,374
Shares outside Malaysia	69,359	53,993	69,359	53,993
Foreign currency bonds in Malaysia	1,027,299	172,603	1,027,299	172,603
Foreign currency bonds outside Malaysia	392,289	335,930	392,289	335,930
Private debt securities in Malaysia	11,383	19,404	-	-
Unquoted securities:				
Private debt securities in Malaysia	1,383,740	1,196,700	1,008,275	224,356
Shares in Malaysia	225,837	170,695	225,669	150,401
Shares outside Malaysia	3,481	3,298	3,481	-
Total financial investments available-for-sale	<u>7,896,574</u>	<u>5,954,139</u>	<u>6,032,310</u>	<u>2,536,925</u>

10 Financial investments held-to-maturity

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000
Money market instruments:				
Malaysian Government securities	2,705,169	3,577,909	2,705,169	3,577,909
Malaysian Government investment certificates	1,070,237	1,123,311	876,615	903,689
Cagamas bonds	229,547	170,942	187,826	170,942
Negotiable instruments of deposit	3,628,178	2,677,278	4,342,373	3,194,188
Other Government securities	22,611	14,043	-	-
Investment in CPRS-JPM	50,500	-	50,500	-
	<u>7,706,242</u>	<u>7,563,483</u>	<u>8,162,483</u>	<u>7,846,728</u>
Unquoted securities in Malaysia:				
Loan stocks	272	268	272	268
Private and Islamic debt securities	166,734	256,797	110,330	75,574
Unquoted bonds	46,356	-	46,356	-
	<u>213,362</u>	<u>257,065</u>	<u>156,958</u>	<u>75,842</u>
Total financial investments held-to-maturity	<u>7,919,604</u>	<u>7,820,548</u>	<u>8,319,441</u>	<u>7,922,570</u>

11 Loans, advances and financing

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000
Overdrafts	4,134,002	4,185,914	3,912,077	2,097,307
Term loans:				
- Housing and shop loans/financing	33,274,036	31,796,741	28,925,973	20,010,166
- Syndicated term loan/financing	4,841,005	4,654,683	4,350,561	2,571,439
- Hire purchase receivables	17,527,900	17,315,908	13,343,231	3,015,843
- Lease receivables	3,411	4,486	-	-
- Other term loans/financing	10,493,008	10,478,950	8,808,106	2,514,792
Credit/charge card receivables	4,265,780	4,262,859	4,265,780	2,497,855
Bills receivables	364,725	354,250	362,541	344,927
Trust receipts	312,119	302,959	309,144	140,659
Claims on customers under acceptance credits	6,284,697	6,621,138	5,793,240	3,919,301
Block discounting	7,816	8,391	7,816	8,391
Revolving credits	3,435,811	3,749,153	3,186,553	2,165,632
Staff loans:				
Directors	-	-	-	-
Staffs other than directors	298,953	305,901	274,401	88,858
Other loans/financing	125,139	133,658	57,120	40,811
Gross loans, advances and financing	<u>85,368,402</u>	<u>84,174,991</u>	<u>73,596,543</u>	<u>39,415,981</u>
Fair value changes arising from fair value hedges	24,908	-	19,020	-
Unamortised fair value changes arising from terminated fair value hedges	12,488	17,177	1,365	14,438
Allowance for impaired loans, advances and financing:				
- Collective assessment allowance	(1,815,738)	(1,575,097)	(1,553,513)	(726,970)
- Individual assessment allowance	(638,341)	(666,314)	(560,478)	(154,627)
Total net loans, advances and financing	<u>82,951,719</u>	<u>81,950,757</u>	<u>71,502,937</u>	<u>38,548,822</u>

11 Loans, advances and financing (continued)

11a By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000
Domestic non-bank financial institutions	649,666	718,374	461,164	118,720
Domestic business enterprises:				
- small and medium enterprises	12,450,685	12,199,078	11,459,016	3,717,642
- others	15,561,332	15,827,270	13,880,846	9,014,645
Government and statutory bodies	23,228	28,900	23,047	-
Individuals	53,749,700	52,623,181	45,056,522	24,481,830
Other domestic entities	29,926	30,675	26,796	9,816
Foreign entities	2,903,865	2,747,513	2,689,152	2,073,328
Gross loans, advances and financing	<u>85,368,402</u>	<u>84,174,991</u>	<u>73,596,543</u>	<u>39,415,981</u>

11b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000
Fixed rate				
- Housing and shop loans/financing	3,812,814	3,545,531	2,399,073	756,353
- Hire purchase receivables	17,473,254	17,263,403	13,289,537	2,963,250
- Other fixed rate loan/financing	7,838,550	7,748,261	6,652,243	3,958,910
Variable rate				
- Base lending rate plus	44,088,419	43,520,900	40,033,784	26,569,853
- Cost plus	11,704,038	11,597,328	10,880,631	5,055,260
- Other variables rates	451,327	499,568	341,275	112,355
Gross loans, advances and financing	<u>85,368,402</u>	<u>84,174,991</u>	<u>73,596,543</u>	<u>39,415,981</u>

11 Loans, advances and financing (continued)

11c By economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000
Purchase of securities	1,149,085	1,150,991	1,072,895	543,518
Purchase of transport vehicles	17,574,402	17,373,379	13,399,585	3,098,694
Purchase of landed properties				
- residential	28,602,321	27,698,836	24,592,440	16,244,598
- non-residential	9,309,993	9,050,882	8,631,572	5,125,385
Purchase of fixed assets (excluding landed properties)	650,989	-	594,995	-
Personal use	3,759,250	3,572,467	2,890,032	1,929,546
Credit card	4,265,780	4,262,859	4,265,780	2,497,855
Purchase of consumer durables	190	199	180	70
Construction	860,085	835,551	824,931	299,515
Mergers and acquisition	377,396	-	377,396	-
Working capital	17,054,909	17,831,471	15,390,458	9,525,206
Others	1,764,002	2,398,356	1,556,279	151,594
Gross loans, advances and financing	<u>85,368,402</u>	<u>84,174,991</u>	<u>73,596,543</u>	<u>39,415,981</u>

11d By geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000
Malaysia	83,365,445	82,352,675	71,628,196	37,608,008
Singapore	1,968,347	1,807,973	1,968,347	1,807,973
Vietnam	34,610	14,343	-	-
Gross loans, advances and financing	<u>85,368,402</u>	<u>84,174,991</u>	<u>73,596,543</u>	<u>39,415,981</u>

11 Loans, advances and financing (continued)

11e By residual contractual maturity

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000
Within one year	22,562,277	23,003,752	21,037,899	13,219,190
One year to less than three years	5,859,757	5,768,612	4,803,694	2,420,188
Three years to less than five years	8,859,197	8,754,965	7,311,569	2,688,947
Five years and more	48,087,171	46,647,662	40,443,381	21,087,656
Gross loans, advances and financing	<u>85,368,402</u>	<u>84,174,991</u>	<u>73,596,543</u>	<u>39,415,981</u>

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

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000
Purchase of securities	14,908	8,828	14,908	4,737
Purchase of transport vehicles	206,583	185,001	162,205	20,992
Purchase of landed properties				
- residential	440,241	458,242	363,464	181,876
- non-residential	86,212	79,403	78,276	15,846
Purchase of fixed assets (excluding landed properties)	20,700	21,067	20,473	-
Personal use	97,199	93,742	83,825	66,998
Credit card	67,172	58,100	67,172	24,770
Purchase of consumer durables	17	17	17	-
Construction	31,099	31,075	29,342	6,412
Working capital	770,116	916,295	673,709	278,885
Others	46,294	31,160	45,911	284
	<u>1,780,541</u>	<u>1,882,930</u>	<u>1,539,302</u>	<u>600,800</u>

11 Loans, advances and financing (continued)

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

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000
Malaysia	1,735,742	1,837,905	1,494,503	555,775
Singapore	44,799	45,025	44,799	45,025
	<u>1,780,541</u>	<u>1,882,930</u>	<u>1,539,302</u>	<u>600,800</u>

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

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000
As at beginning of the financial period/year				
- As previously reported	1,882,930	726,735	600,800	690,411
- Effect of adopting FRS 139	-	203,467	-	197,035
As restated	<u>1,882,930</u>	<u>930,202</u>	<u>600,800</u>	<u>887,446</u>
Acquisition of assets and liabilities of EON Capital Berhad ("ECB")	-	1,294,351	-	-
Amount transferred from a subsidiary	-	-	972,334	-
Arising from harmonisation of provisioning policy *	30,797	-	30,797	-
Impaired during the financial period/year	674,050	883,652	415,039	592,997
Performing during the financial period/ year	(447,306)	(493,248)	(213,392)	(321,635)
Amount written back in respect of recoveries	(240,856)	(459,440)	(203,081)	(336,457)
Amount written off	(122,087)	(277,596)	(63,113)	(224,157)
Exchange difference	3,013	5,009	(82)	2,606
As at end of the financial period/year	<u>1,780,541</u>	<u>1,882,930</u>	<u>1,539,302</u>	<u>600,800</u>
Gross impaired /non-performing loan as a % of gross loans advances and financing	<u>2.1%</u>	<u>2.2%</u>	<u>2.1%</u>	<u>1.5%</u>

* Allowance from harmonisation of provisioning policy is subject to change at external auditor's verification.

11 Loans, advances and financing (continued)

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

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000
<u>Collective Assessment Allowance</u>				
At 1 July				
- as previously stated	1,575,097	-	726,970	-
- prior year adjustments	-	-	-	-
- effect of adopting FRS 139	-	769,545	-	684,670
At 1 July, as restated	1,575,097	769,545	726,970	684,670
Acquisition of assets and liabilities of ECB	-	742,983	-	-
Amount transferred from a subsidiary	-	-	641,078	-
Arising from harmonisation of provisioning policy *	141,718	-	111,011	-
Allowance made during the period/year	170,462	390,984	142,792	292,817
Amount transfer from individual assessment	47,617	-	38,312	-
Amount written back in respect of recoveries	(62,415)	(101,190)	(50,098)	(70,874)
Amount written off	(54,468)	(217,424)	(54,499)	(170,822)
Unwinding income	(2,196)	(11,018)	(2,002)	(10,064)
Exchange differences	(77)	1,217	(51)	1,243
Closing balance	1,815,738	1,575,097	1,553,513	726,970
As a % of gross loans, advances and financing less loans exempted from individual assessment allowance	2.1%	1.9%	2.1%	1.9%
<u>Individual Assessment Allowance</u>				
As at beginning of the financial year				
- as previously stated	666,314	-	154,627	-
- prior year adjustments	-	-	-	-
- effect of adopting FRS 139	-	228,018	-	226,724
As restated	666,314	228,018	154,627	226,724
Acquisition of assets and liabilities of ECB	-	505,525	-	-
Amount transferred from a subsidiary	-	-	385,612	-
Arising from harmonisation of provisioning policy *	89,279	-	73,969	-
Allowance made during the period/year	19,754	72,277	19,384	27,370
Amount transfer to collective assessment	(47,618)	-	(38,313)	-
Amount written back in respect of recoveries	(28,881)	(83,129)	(28,028)	(48,159)
Amount written off	(63,943)	(44,200)	(4,974)	(37,891)
Unwinding income	(1,794)	(14,974)	(1,746)	(14,836)
Exchange difference	5,230	2,797	(53)	1,419
As at end of the financial period/year	638,341	666,314	560,478	154,627

* Allowance from harmonisation of provisioning policy is subject to change at external auditor's verification.

12 Other assets

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000
Foreclosed properties	1,458	1,458	1,458	475
Other debtors, deposits and prepayments	1,355,040	950,471	2,565,183	428,351
	<u>1,356,498</u>	<u>951,929</u>	<u>2,566,641</u>	<u>428,826</u>

13 Deposits from customers

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000
<u>By type of customer</u>				
Government and statutory bodies	5,245,229	5,571,964	3,665,843	998,891
Business enterprises	51,256,286	49,165,910	42,493,511	28,760,256
Individuals	54,094,763	51,478,647	51,286,898	34,896,549
Others	3,651,934	8,640,022	2,201,806	1,268,398
	<u>114,248,212</u>	<u>114,856,543</u>	<u>99,648,058</u>	<u>65,924,094</u>

14 Deposits and placements of banks and other financial institution

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000
Licensed banks	6,298,153	8,043,594	4,747,120	5,820,144
Bank Negara Malaysia	1,511,752	1,897,375	1,503,538	-
Other financial institutions	322,437	756,692	9	-
	<u>8,132,342</u>	<u>10,697,661</u>	<u>6,250,667</u>	<u>5,820,144</u>

15 Other liabilities

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000
Interest/Profit payable	-	-	-	-
Zakat	90	66	-	-
Post employment benefits obligation				
- defined contribution plan	3,091	3,102	3,091	3,102
Loan advance payment	1,148,019	1,122,560	1,024,187	1,014,815
Amount due to cagamas	185,331	187,217	185,331	-
Amount due to subsidiary companies	-	-	28,661	28,626
Others	1,445,454	1,552,074	2,773,496	865,955
	<u>2,781,985</u>	<u>2,865,019</u>	<u>4,014,766</u>	<u>1,912,498</u>

16 Interest income

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2011	30/09/2010	30/09/2011	30/09/2010
	RM'000	RM'000	RM'000	RM'000
Group				
Loan, advances and financing	993,368	440,916	993,368	440,916
Money at call and deposit placements with financial institutions	153,450	108,069	153,450	108,069
Securities purchased under resale agreements	341	253	341	253
Financial assets held-for-trading	13,864	21,219	13,864	21,219
Financial investments available-for-sale	34,880	26,789	34,880	26,789
Financial investments held-to-maturity	132,447	107,972	132,447	107,972
Others	277	4,283	277	4,283
	<u>1,328,627</u>	<u>709,501</u>	<u>1,328,627</u>	<u>709,501</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>3,748</u>	<u>6,247</u>	<u>3,748</u>	<u>6,247</u>

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2011	30/09/2010	30/09/2011	30/09/2010
	RM'000	RM'000	RM'000	RM'000
Bank				
Loan, advances and financing	989,359	440,637	989,359	440,637
Money at call and deposit placements with financial institutions	147,009	108,774	147,009	108,774
Securities purchased under resale agreements	341	253	341	253
Financial assets held-for-trading	13,864	21,219	13,864	21,219
Financial investments available-for-sale	36,933	26,789	36,933	26,789
Financial investments held-to-maturity	137,252	114,272	137,252	114,272
Others	11,973	12,112	11,973	12,112
	<u>1,336,731</u>	<u>724,056</u>	<u>1,336,731</u>	<u>724,056</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>3,748</u>	<u>5,972</u>	<u>3,748</u>	<u>5,972</u>

17 Interest expense

Group	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2011	30/09/2010	30/09/2011	30/09/2010
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	17,683	14,249	17,683	14,249
Deposits from customers	519,556	231,834	519,556	231,834
Short term corporate placements	59,675	79,190	59,675	79,190
Senior bonds	9,235	-	9,235	-
Tier-2 subordinated bonds	29,478	8,718	29,478	8,718
Tier-2 capital cumulative subordinated loan	23,403	-	23,403	-
Non-innovative Tier-1 stapled securites	18,353	-	18,353	-
Innovative Tier-1 capital securities	3,750	-	3,750	-
Others	3,237	174	3,237	174
	684,370	334,165	684,370	334,165

Bank	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2011	30/09/2010	30/09/2011	30/09/2010
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	26,027	14,974	26,027	14,974
Deposits from customers	535,809	249,128	535,809	249,128
Short term corporate placements	59,675	79,190	59,675	79,190
Senior bonds	9,235	-	9,235	-
Tier-2 subordinated bonds	29,534	8,718	29,534	8,718
Tier-2 capital cumulative subordinated loan	23,403	-	23,403	-
Non-innovative Tier-1 stapled securites	18,353	-	18,353	-
Others	2,974	174	2,974	174
	708,810	352,184	708,810	352,184

18 Other operating income

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2011 RM'000	30/09/2010 RM'000	30/09/2011 RM'000	30/09/2010 RM'000
Group				
(a) <u>Fee income:</u>				
Commissions	28,407	17,057	28,407	17,057
Service charges and fees	12,175	4,271	12,175	4,271
Guarantee fees	5,216	1,395	5,216	1,395
Other fee income	101,596	59,287	101,596	59,287
	<u>147,394</u>	<u>82,010</u>	<u>147,394</u>	<u>82,010</u>
(b) <u>Gain/loss arising from sale of financial assets:</u>				
Net gain/(loss) from sale of financial assets held-for-trading and derivatives	34,747	26,316	34,747	26,316
Net gain from sale of financial investments available-for-sale	1,555	3,930	1,555	3,930
Net gain from redemption of financial investments held-to-maturity	820	20	820	20
	<u>37,122</u>	<u>30,266</u>	<u>37,122</u>	<u>30,266</u>
(c) <u>Gross dividend income from:</u>				
Financial investments available-for-sale	1,325	7,378	1,325	7,378
Financial investments held-to-maturity	-	-	-	-
	<u>1,325</u>	<u>7,378</u>	<u>1,325</u>	<u>7,378</u>

18 Other operating income (continued)

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2011 RM'000	30/09/2010 RM'000	30/09/2011 RM'000	30/09/2010 RM'000
(d) <u>Net unrealised gain/(loss) on revaluation of financial assets held-for-trading and derivatives</u>	<u>(57,139)</u>	<u>(5,470)</u>	<u>(57,139)</u>	<u>(5,470)</u>
(e) <u>Net realised gain/(loss) on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges</u>	<u>(4,687)</u>	<u>(4,902)</u>	<u>(4,687)</u>	<u>(4,902)</u>
(f) <u>Net unrealised gain/(loss) on fair value changes arising from fair value hedges</u>	<u>(2,333)</u>	<u>(4,617)</u>	<u>(2,333)</u>	<u>(4,617)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	44,608	7,720	44,608	7,720
Rental income	708	152	708	152
Gain on disposal of property and equipment (net)	174	(4)	174	(4)
Profit from Takaful investments	-	-	-	-
Others	9,267	5,072	9,267	5,072
	<u>54,757</u>	<u>12,940</u>	<u>54,757</u>	<u>12,940</u>
Total other operating income	<u>176,439</u>	<u>117,605</u>	<u>176,439</u>	<u>117,605</u>

18 Other operating income

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2011 RM'000	30/09/2010 RM'000	30/09/2011 RM'000	30/09/2010 RM'000
Bank				
(a) <u>Fee income:</u>				
Commissions	28,273	17,056	28,273	17,056
Service charges and fees	12,806	4,272	12,806	4,272
Guarantee fees	5,216	1,395	5,216	1,395
Other fee income	97,241	59,294	97,241	59,294
	<u>143,536</u>	<u>82,017</u>	<u>143,536</u>	<u>82,017</u>
(b) <u>Gain/loss arising from sale of financial assets:</u>				
Net gain/(loss) from sale of financial assets held-for-trading and derivatives	34,714	26,316	34,714	26,316
Net gain from sale of financial investments available-for-sale	1,349	3,930	1,349	3,930
Net gain from redemption of financial investments held-to-maturity	820	20	820	20
	<u>36,883</u>	<u>30,266</u>	<u>36,883</u>	<u>30,266</u>
(c) <u>Gross dividend income from:</u>				
Subsidiary companies	-	-	-	-
Associated company	2,379	-	2,379	-
Financial investments available-for-sale	1,325	7,378	1,325	7,378
Financial investments held-to-maturity	-	-	-	-
	<u>3,704</u>	<u>7,378</u>	<u>3,704</u>	<u>7,378</u>

18 Other operating income (continued)

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2011 RM'000	30/09/2010 RM'000	30/09/2011 RM'000	30/09/2010 RM'000
(d) <u>Net unrealised gain/(loss) on revaluation of financial assets held-for-trading and derivatives</u>	<u>(57,139)</u>	<u>(5,470)</u>	<u>(57,139)</u>	<u>(5,470)</u>
(e) <u>Net realised gain/(loss) on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges</u>	<u>(3,001)</u>	<u>(2,117)</u>	<u>(3,001)</u>	<u>(2,117)</u>
(f) <u>Net unrealised gain/(loss) on fair value changes arising from fair value hedges</u>	<u>(2,333)</u>	<u>(4,617)</u>	<u>(2,333)</u>	<u>(4,617)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	41,551	7,152	41,551	7,152
Rental income	1,204	152	1,204	152
Gain on disposal of property and equipment (net)	173	-	173	-
Loss from disposal of subsidiary	-	-	-	-
Others	9,022	4,581	9,022	4,581
	<u>51,950</u>	<u>11,885</u>	<u>51,950</u>	<u>11,885</u>
Total other operating income	<u>173,600</u>	<u>119,342</u>	<u>173,600</u>	<u>119,342</u>

19 Other operating expenses

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2011	30/09/2010	30/09/2011	30/09/2010
	RM'000	RM'000	RM'000	RM'000
Group				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	243,688	109,238	243,688	109,238
- Others	17,431	8,798	17,431	8,798
<u>Establishment costs</u>				
- Depreciation of property and equipment	28,169	12,797	28,169	12,797
- Amortisation of intangible assets	4,985	4,338	4,985	4,338
- Rental	17,842	11,290	17,842	11,290
- Information technology expenses	20,945	8,305	20,945	8,305
- Others	20,131	11,105	20,131	11,105
<u>Marketing expenses</u>				
- Advertisement and publicity	892	6,151	892	6,151
- Others	23,524	14,106	23,524	14,106
<u>Administration and general expenses</u>				
- Teletransmission expenses	4,680	908	4,680	908
- Stationery & printing	4,949	2,261	4,949	2,261
- Others	48,385	28,702	48,385	28,702
	<u>435,621</u>	<u>217,999</u>	<u>435,621</u>	<u>217,999</u>

19 Other operating expenses (continued)

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2011 RM'000	30/09/2010 RM'000	30/09/2011 RM'000	30/09/2010 RM'000
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	219,255	94,366	219,255	94,366
- Others	15,363	7,848	15,363	7,848
<u>Establishment costs</u>				
- Depreciation of property and equipment	26,601	12,489	26,601	12,489
- Amortisation of intangible assets	4,787	4,003	4,787	4,003
- Rental	15,831	10,001	15,831	10,001
- Information technology expenses	20,573	8,081	20,573	8,081
- Others	17,499	9,315	17,499	9,315
<u>Marketing expenses</u>				
- Advertisement and publicity	432	6,021	432	6,021
- Others	23,086	14,060	23,086	14,060
<u>Administration and general expenses</u>				
- Teletransmission expenses	4,587	866	4,587	866
- Stationery & printing	4,798	2,221	4,798	2,221
- Others	29,839	28,464	29,839	28,464
	<u>382,651</u>	<u>197,735</u>	<u>382,651</u>	<u>197,735</u>

20 Allowance for impairment losses on loans, advances and financing

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2011	30/09/2010	30/09/2011	30/09/2010
	RM'000	RM'000	RM'000	RM'000
Group				
Allowance for impairment losses on loans, advances and financing:				
- collective assessment allowance	108,047	60,613	108,047	60,613
- individual assessment allowance	(9,127)	1,773	(9,127)	1,773
Impaired loans and financing written off	2,119	2,066	2,119	2,066
Impaired loans and financing recovered	(77,957)	(23,455)	(77,957)	(23,455)
	<u>23,082</u>	<u>40,997</u>	<u>23,082</u>	<u>40,997</u>

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2011	30/09/2010	30/09/2011	30/09/2010
	RM'000	RM'000	RM'000	RM'000
Bank				
Allowance for impairment losses on loans, advances and financing:				
- collective assessment allowance	92,694	51,002	92,694	51,002
- individual assessment allowance	(8,644)	2,076	(8,644)	2,076
Impaired loans and financing written off	2,021	1,945	2,021	1,945
Impaired loans and financing recovered	(74,757)	(22,068)	(74,757)	(22,068)
	<u>11,314</u>	<u>32,955</u>	<u>11,314</u>	<u>32,955</u>

21 Capital adequacy

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000
<u>Components of Tier-1 and Tier-2 Capital</u>				
Tier-1 capital				
Paid-up share capital	1,580,107	1,580,107	1,580,107	1,580,107
Share premium	539,664	539,664	539,664	539,664
Retained profit	3,983,356	3,983,356	3,212,562	3,212,562
Other reserves	1,931,511	1,931,653	1,798,743	1,798,885
Non-innovative Tier-1 stapled securities	1,395,198	1,394,665	1,395,198	1,394,665
Innovative Tier-1 capital securities	489,695	490,273	488,079	-
Less: Treasury shares	(659,218)	(671,744)	(659,218)	(671,744)
Less: Deferred tax assets	(325,935)	(325,935)	(239,637)	(102,281)
Less: Goodwill	(1,360,174)	(1,360,174)	(1,050,759)	-
Total Tier-1 capital	7,574,204	7,561,865	7,064,739	7,751,858
Tier-2 capital				
Collective assessment allowance ^	1,399,652	1,298,856	1,175,484	587,106
General allowance	-	-	-	-
Subordinated bonds	2,834,469	2,833,327	2,833,689	1,693,352
Capital cumulative subordinated loan	2,300,000	2,300,000	2,300,000	2,300,000
Total Tier-2 capital	6,534,121	6,432,183	6,309,173	4,580,458
Total capital	14,108,325	13,994,048	13,373,912	12,332,316
Less: Investment in subsidiary companies	-	-	(2,341,242)	(6,088,873)
Less: Investment in associated company	(1,385,169)	(1,325,707)	(946,505)	(946,505)
Less: Investment in jointly controlled entity	(75,420)	(75,252)	(76,711)	(76,711)
Less: Holding of other banking institutions' capital	-	-	-	-
Total capital base	12,647,736	12,593,089	10,009,454	5,220,227
<u>Before deducting proposed dividends</u>				
Core capital ratio	8.00%	8.43%	8.22%	11.56% *
Risk-weighted capital ratio	13.36%	14.05%	11.65%	11.56% *
<u>After deducting proposed dividends</u>				
Core capital ratio	7.79%	8.25%	8.00%	11.19% *
Risk-weighted capital ratio	13.15%	13.86%	11.42%	11.19% *

^ Excludes collective assessment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment.

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

21 Capital adequacy (continued)

a) The capital adequacy ratios of the banking subsidiary company of the Group are as follows:

	Hong Leong Islamic Bank Berhad (1)	EONCAP Islamic Bank Berhad (2)	MIMB Investment Bank Berhad (3)
As at 30 September 2011			
<u>Before deducting proposed dividends:</u>			
Core capital ratio	14.96%	10.76%	66.54%
Risk-weighted capital ratio	<u>16.56%</u>	<u>16.96%</u>	<u>67.02%</u>
<u>After deducting proposed dividends:</u>			
Core capital ratio	14.35%	10.76%	66.54%
Risk-weighted capital ratio	<u>15.95%</u>	<u>16.96%</u>	<u>67.02%</u>
As at 30 June 2011			
<u>Before deducting proposed dividends:</u>			
Core capital ratio	16.06%	11.18%	62.20%
Risk-weighted capital ratio	<u>17.65%</u>	<u>17.59%</u>	<u>62.79%</u>
<u>After deducting proposed dividends:</u>			
Core capital ratio	15.41%	11.18%	62.20%
Risk-weighted capital ratio	<u>16.99%</u>	<u>17.59%</u>	<u>62.79%</u>

- 1 The capital adequacy ratios of Hong Leong Islamic Bank Berhad (HLISB) are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks ("CAFIB"), which is based on the Basel II capital accord. HLISB has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk computation.
- 2 The capital adequacy ratios of EONCAP Islamic Bank Berhad (EIBB) are computed in accordance with BNM's CAFIB, which is based on the Basel II capital accord. EIBB has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk computation.
- 3 The capital adequacy ratios of MIMB Investment Bank Berhad (MIMB) are computed in accordance with BNM's revised RWCAF– Basel II. MIMB has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk computation.

21 Capital adequacy (continued)

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

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2010 RM'000	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2010 RM'000
Risk-weighted assets for credit risk	80,867,300	79,593,636	72,879,567	39,331,761
Risk-weighted assets for market risk	6,639,766	2,925,259	6,674,661	2,120,012
Risk-weighted assets for operational risk	7,194,278	7,136,364	6,347,314	3,707,107
Total risk-weighted assets	<u>94,701,344</u>	<u>89,655,259</u>	<u>85,901,542</u>	<u>45,158,880</u>

The Group and the Bank implemented the Basel II - Risk Weighted Assets Computation under the Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework with effect from 1 January 2008.

The Group and the Bank has adopted the Standardised Approach for Credit Risk and Market Risk and Basic Indicator Approach for Operational Risk computation.

22 Group segmental reporting on revenue, profit and assets

Financial quarter ended 30/09/2011

	Group Consumer Banking RM'000	Group Business Banking RM'000	Global Markets RM'000	Investment Banking Division RM'000	Overseas Associate and Jointly Controlled Entity RM'000	Total RM'000
<u>By business segment</u>						
External revenue	648,905	57,148	201,824	8,853	-	916,730
Inter-segment revenue	(16,105)	129,582	(113,477)	-	-	-
Segment revenue	632,800	186,730	88,347	8,853	-	916,730
Segment profit before taxation	270,848	145,487	52,036	(6,539)	-	461,832
Share of profit after tax of equity accounted associated company					61,841	61,841
Share of profit after tax of equity accounted jointly controlled entity					168	168
Profit before taxation and zakat						523,841
Taxation and zakat						(116,731)
Profit after taxation						407,110

Financial period ended 30/09/2011

	Group Consumer Banking RM'000	Group Business Banking RM'000	Global Markets RM'000	Investment Banking Division RM'000	Overseas Associate and Jointly Controlled Entity RM'000	Total RM'000
<u>By business segment</u>						
External revenue	648,905	57,148	201,824	8,853	-	916,730
Inter-segment revenue	(16,105)	129,582	(113,477)	-	-	-
Segment revenue	632,800	186,730	88,347	8,853	-	916,730
Segment profit before taxation	270,848	145,487	52,036	(6,539)	-	461,832
Share of profit after tax of equity accounted associated company					61,841	61,841
Share of profit after tax of equity accounted jointly controlled entity					168	168
Profit before taxation and zakat						523,841
Taxation and zakat						(116,731)
Profit after taxation						407,110
Segment assets	60,408,010	23,062,182	50,578,429	528,337	-	134,576,958
Unallocated assets						8,758,718
Total assets						143,335,676

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

Corresponding quarter ended 30/09/2010

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

Financial period ended 30/09/2010

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

23 Property and equipment

The valuations of land and building had been brought forward without amendment from the previous audited annual financial statements.

24(a) Material events subsequent to the end of the reporting period

There are no materials events subsequent to the end of the financial period ended 30 September 2011 except for the following:-

- (a) On 6 September 2011, CIMB, on behalf of HLB, announced that the issue price for the Rights Shares had been fixed at RM8.65 per Rights Share at an entitlement basis of 1 Rights Share for every 5 existing HLB Shares held by HLB's entitled shareholders as at 5.00 p.m. on 21 September 2011 ("Entitlement Date") ("Entitled Shareholders").

The issue price of RM8.65 per Rights Share represents a discount of 30.3% to the 5-day volume-weighted average market price of HLB Shares up to 5 September 2011 of RM12.41 ("5-day VWAMP") and 26.6% to the theoretical ex-rights price of HLB Shares of RM11.78 (based on the 5-day VWAMP).

The Rights Issue will result in the issuance of up to 299.8 million Rights Shares and will raise gross proceeds of up to RM2,593.3 million. As the Rights Issue will be undertaken on a minimum subscription basis based on Hong Leong Financial Group Berhad's ("HLFG") (a major shareholder of HLB) full entitlement to the Rights Shares, in the case where only HLFG subscribes for its full entitlement to the Rights Shares, the Rights Issue will result in the issuance of approximately 190.4 million Rights Shares and will raise gross proceeds of approximately RM1,647.0 million.

- (b) On 11 October 2011, CIMB, on behalf of HLB, announced that at the close of acceptance, excess application and payment for the Rights Issue on 6 October 2011 ("Closing Date"), HLB had received valid acceptances and excess applications for a total of 408,728,176 Rights Shares. This represents a subscription level of 136.3% of the total number of Rights Shares available under the Rights Issue.
- (c) On 18 October 2011, CIMB, on behalf of HLB, announced that the Rights Issue had been completed following the listing of and quotation for 299,802,066 Rights Shares on the Main Market of Bursa Malaysia Securities Berhad on 18 October 2011. HLB had also fully repaid the RM2.3 billion Tier 2 Capital Cumulative Subordinated Loan extended by HLFG on the same date.
- (d) On 17 October 2011, HLB announced that at the Creditor's Meeting held on 17 October 2011 by EONCAP Islamic Bank Berhad ("EIBB"), a wholly-owned subsidiary of HLB, the Scheme of Arrangement for the transfer and vesting of the whole of the assets, liabilities, activities, business and undertaking of the Islamic banking business of EIBB to Hong Leong Islamic Bank Berhad ("HLISB"), also a wholly-owned subsidiary of HLB, was approved.
- (e) On 24 October 2011, HLB had announced that the High Court of Malaya had granted:-
- i) its approval for the Scheme of Arrangement for the transfer of the entire business of EIBB to HLISB, both wholly-owned subsidiaries of HLB; and
 - ii) a vesting order for the transfer of the entire assets, liabilities, activities, business and undertaking of the Islamic banking business of EIBB to HLISB with effect from 1 November 2011.

24(b) Changes in the composition of the Group

- (a) On 1 July 2011, HLB had announced that the whole of the business including all assets and liabilities of EON Bank Berhad ("EBB") have been vested to HLB effective 1 July 2011 ("Vesting").

Following the Vesting, EBB has surrendered its banking licence to Bank Negara Malaysia ("BNM") on 1 July 2011 and has ceased operations.

On 1 July 2011, all of the direct subsidiaries of EBB including EONCAP Islamic Bank Bhd ("EIBB") and MIMB Investment Bank Bhd ("MIMB") became direct subsidiaries of HLB.

- (b) Pursuant to an internal reorganisation exercise, HLB had, on 1 July 2011, entered into a share sale agreement ("SSA") with HLB Principal Investments (L) Limited ("HLBPIL"), a wholly-owned subsidiary of HLB, for the transfer by HLB of its entire equity interest in EBB to HLBPIL ("Transfer").

The SSA was completed on 1 July 2011 immediately following the vesting of business from EBB to HLB and the surrender of EBB's banking licence to BNM.

Upon completion of the internal reorganisation exercise, EBB became a wholly owned subsidiary of HLBPIL, which is in turn a wholly owned subsidiary of HLB.

25 Commitments and contingencies

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

The commitments and contingencies constitute the following:

	Financial Period Ended 30/09/2011			Financial Year Ended 30/06/2011		
	Principal Amount RM'000	Credit Equivalent RM'000	Risk - Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent RM'000	Risk - Weighted Amount RM'000
The Group						
Direct credit substitutes	517,881	517,882	507,511	559,290	559,291	548,786
Certain transaction related contingent items	1,398,887	699,443	688,530	1,394,682	697,342	686,108
Short term self liquidating trade related contingencies	676,082	135,217	131,554	616,404	123,281	118,414
Underwriting obligations	48,000	-	-	72,000	-	-
Irrevocable commitments to extend credit:						
- maturity more than one year	12,873,205	3,057,097	2,734,741	12,488,631	2,702,438	2,410,023
- maturity less than one year	18,363,672	4,754,474	4,070,998	17,617,166	4,940,184	4,143,111
Foreign exchange related contracts:						
- less than one year	40,340,424	1,172,968	508,934	35,896,628	820,583	506,072
- one year to less than five years	1,817,221	175,627	102,128	1,736,341	207,815	115,775
- five years and above	264,005	61,727	30,864	250,376	61,039	30,519
Interest rate related contracts:						
- less than one year	15,229,363	34,502	15,006	12,791,226	36,534	13,876
- one year to less than five years	39,553,323	1,134,910	549,909	35,757,281	1,125,592	489,354
- five years and above	9,862,188	981,367	489,782	9,632,500	897,586	447,893
Equity related contracts:						
- less than one year	135,570	10,559	7,858	163,946	11,268	7,889
- one year to less than five years	6,600	528	106	6,600	528	106
Unutilised credit card lines	9,221,435	1,844,287	1,384,699	9,296,768	1,859,353	1,395,772
Total	150,307,856	14,580,588	11,222,620	138,279,839	14,042,834	10,913,698

25 Commitments and contingencies (continued)

	Financial Period Ended 30/09/2011			Financial Year Ended 30/06/2011		
	Principal Amount RM'000	Credit Equivalent RM'000	Risk - Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent RM'000	Risk - Weighted Amount RM'000
The Bank						
Direct credit substitutes	505,192	505,193	494,822	195,694	195,695	185,190
Certain transaction related contingent items	1,295,422	647,711	636,798	268,190	134,095	122,861
Short term self liquidating trade related contingencies	659,279	131,856	128,193	469,521	93,904	89,038
Irrevocable commitments to extend credit:						
- maturity more than one year	10,039,652	2,315,477	2,080,738	5,109,037	-	-
- maturity less than one year	17,143,923	4,510,524	3,839,053	9,707,861	2,963,380	2,344,882
Foreign exchange related contracts:						
- less than one year	40,089,933	1,172,728	508,886	33,894,516	792,569	497,029
- one year to less than five years	5,293,995	545,714	472,215	5,360,137	569,576	479,296
- five years and above	264,005	61,727	30,864	250,376	61,039	30,519
Interest rate related contracts:						
- less than one year	15,229,363	34,500	15,004	11,566,226	33,774	13,324
- one year to less than five years	40,093,323	1,102,819	543,489	32,737,281	973,091	475,861
- five years and above	9,812,188	978,367	489,182	9,582,500	894,586	447,293
Equity related contracts:						
- less than one year	135,570	10,559	7,858	163,946	11,268	7,889
- one year to less than five years	6,600	528	106	6,600	528	106
Unutilised credit card lines	9,221,436	1,844,287	1,384,699	6,600,684	1,320,137	991,360
Total	149,789,881	13,861,990	10,631,907	115,912,569	8,043,642	5,684,648

26 Related party transactions

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

HONG LEONG BANK BERHAD ("HLB" or "Bank")
ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING
REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD

1 Review of performance

Current quarter against previous corresponding quarter

The Group recorded a pre-tax profit of RM523.8 million for the current financial quarter ended 30 September 2011, an increase of RM206.5 million or 65.1% as compared to previous corresponding quarter. Overall the increase was due to enlarge entity arising from the acquisition of assets and liabilities of ECB on 6 May 2011. Increase in pre-tax was due to higher net income by RM376.9 million, higher share of profit from Bank of Chengdu of RM25.0 million, write-back of impairment losses of RM3.8 million and lower allowance for impaired loans of RM17.9 million but offset by higher other operating expenses of RM217.6 million.

2 Review of performance of current quarter against preceding quarter

For the current financial quarter, the Group recorded a pre-tax profit of RM523.8 million as compared to RM380.5 million in the preceding quarter, an increase of RM143.4 million mainly from higher net income of RM95.9 million, writeback of impairment losses of RM1.7 million coupled with lower other operating expenses of RM60.5 million. This is offset by lower share of profit from Bank of Chengdu of RM10.5 million and higher allowance for impaired loans of RM4.3 million.

3 Current year prospects

The Group continues to be cautiously optimistic about the economic outlook for the rest of the year. Arising from the merger with EON, we continue to be on track for the full intergration. The intergration brings opportunities for the combined Group to reassert our market positioning, expand our business reach, serve our customers and community, achieve greater economies of scale and efficiency, and increase our talent capacity for our domestic and regional aspirations. We will leverage our collective strengths for value creation, growth and profitability.

4 Variance in profit forecast and shortfall in profit guarantee

This note is not applicable to the Group.

5 Taxation

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2011	30/09/2010	30/09/2011	30/09/2010
	RM'000	RM'000	RM'000	RM'000
The Group				
Malaysian income tax	121,019	66,918	121,019	66,918
Oversea tax	-	-	-	-
	<u>121,019</u>	<u>66,918</u>	<u>121,019</u>	<u>66,918</u>
Transfer from/(to) deferred taxation	(4,311)	(6,751)	(4,311)	(6,751)
	<u><u>116,708</u></u>	<u><u>60,167</u></u>	<u><u>116,708</u></u>	<u><u>60,167</u></u>

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2011	30/09/2010	30/09/2011	30/09/2010
	RM'000	RM'000	RM'000	RM'000
The Bank				
Malaysian income tax	105,527	66,281	105,527	66,281
Oversea tax	-	-	-	-
	<u>105,527</u>	<u>66,281</u>	<u>105,527</u>	<u>66,281</u>
Transfer from/(to) deferred taxation	(2,595)	(4,898)	(2,595)	(4,898)
	<u><u>102,932</u></u>	<u><u>61,383</u></u>	<u><u>102,932</u></u>	<u><u>61,383</u></u>

The Group's and Bank's effective tax rate for the financial period is lower than the statutory tax rate as certain income was not subject to tax.

6 Profit on sale of unquoted investments/properties

There were no material gains or losses on disposal of unquoted investments (other than in the ordinary course of business) and/or properties for the financial period under review.

7 Purchase and disposal of quoted securities

There were no purchase or disposal of quoted securities for the financial period under review other than those purchased or disposed in the ordinary course of business.

8 Status of corporate proposals

There were no corporate proposals announced but not completed at the latest practicable date which was not earlier than 7 days from the issue of this report.

9 Group borrowings

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

10 Deposits and debt securities

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000
Deposits from customers				
Fixed deposits	69,553,367	68,489,506	60,549,659	38,749,415
Negotiable instruments of deposit	6,585,690	5,584,465	5,018,078	4,535,391
Demand deposits	14,644,072	14,944,455	12,405,073	8,576,091
Saving deposits	12,413,827	12,515,496	10,623,992	7,665,531
Short term corporate placement	10,693,613	12,916,173	10,693,613	5,991,218
Other	357,643	406,448	357,643	406,448
	<u>114,248,212</u>	<u>114,856,543</u>	<u>99,648,058</u>	<u>65,924,094</u>

The maturity structure of fixed deposits and negotiable instruments:

One year or less (short term)	70,831,476	69,851,834	60,783,836	40,520,878
More than one year (medium/long term)	5,307,581	4,222,137	4,783,901	2,763,928
	<u>76,139,057</u>	<u>74,073,971</u>	<u>65,567,737</u>	<u>43,284,806</u>

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000
Deposits and placements of banks and other financial institutions				
Licensed banks	5,514,948	7,461,626	4,747,120	5,820,144
Licensed Islamic banks	783,205	581,968	-	-
Bank Negara Malaysia	1,511,752	1,897,375	1,503,538	-
Other financial institutions	322,437	756,692	9	-
	<u>8,132,342</u>	<u>10,697,661</u>	<u>6,250,667</u>	<u>5,820,144</u>

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

One year or less (short term)	8,132,342	10,697,661	6,250,667	5,820,144
More than one year (medium/long term)	-	-	-	-
	<u>8,132,342</u>	<u>10,697,661</u>	<u>6,250,667</u>	<u>5,820,144</u>

11 Senior bonds

	<u>The Group and The Bank</u>	
	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000
USD 300 million senior bonds, at par	916,350	916,350
Foreign exchange translations	39,600	(9,750)
	<u>955,950</u>	<u>906,600</u>
Add: Interest payable	1,394	9,822
	<u>957,344</u>	<u>916,422</u>
Less: Unamortised discounts	(4,984)	(5,612)
	<u>952,360</u>	<u>910,810</u>

On 17 March 2011, the Bank issued USD300 million in aggregate principal amount of Senior Bonds ("the Bonds"), which will mature in 2016. The Bonds bear interest at the rate of 3.75% is payable semi-annually. The Bonds were issued at a price of 99.761 per cent of the principal amount of the Bonds.

The Bonds will constitute direct, general, unsubordinated and (subject to the provisions of Negative Pledge Condition) unsecured obligations of the Bank which will at all times rank parri passu among themselves and at least parri passu with all other present and future unsecured obligations of the Bank.

12 Subordinated bonds

	Note	<u>The Group</u>		<u>The Bank</u>	
		Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000
RM700 million Tier 2 subordinated debt, at par	(a)	700,000	700,000	700,000	700,000
Add: Interest payable		4,837	13,115	4,837	13,115
		<u>704,837</u>	<u>713,115</u>	<u>704,837</u>	<u>713,115</u>
Less: Unamortised discounts		(2,464)	(2,792)	(2,464)	(2,792)
		<u>702,373</u>	<u>710,323</u>	<u>702,373</u>	<u>710,323</u>
RM1.0 billion Tier 2 subordinated debt, at par	(b)	1,000,000	1,000,000	1,000,000	1,000,000
Add: Interest payable		17,758	6,793	17,758	6,793
		<u>1,017,758</u>	<u>1,006,793</u>	<u>1,017,758</u>	<u>1,006,793</u>
Less: Unamortised discounts		(3,470)	(3,856)	(3,470)	(3,856)
		<u>1,014,288</u>	<u>1,002,937</u>	<u>1,014,288</u>	<u>1,002,937</u>

12 Subordinated bonds (continued)

		<u>The Group</u>		<u>The Bank</u>	
		<u>Financial Period Ended 30/09/2011 RM'000</u>	<u>Financial Year Ended 30/06/2011 RM'000</u>	<u>Financial Period Ended 30/09/2011 RM'000</u>	<u>Financial Year Ended 30/06/2011 RM'000</u>
Subordinated medium term notes, at par	(d)	1,160,000	1,160,000	1,160,000	-
Interest payable		12,948	8,983	12,948	-
		<u>1,172,948</u>	<u>1,168,983</u>	<u>1,172,948</u>	<u>-</u>
Less: Unamortised discounts		(19,597)	(23,750)	(20,377)	-
Add: Fair value on subordinated medium term notes		46,729	-	46,729	-
		<u>1,200,080</u>	<u>1,145,233</u>	<u>1,199,300</u>	<u>-</u>
		<u>2,916,741</u>	<u>2,858,493</u>	<u>2,915,961</u>	<u>1,713,260</u>

(a) On 10 August 2010, HLB had completed the first issuance of RM700 million nominal value of Tier 2 Subordinated Debt ("Sub Debt") out of its RM1.7 billion Tier 2 Subordinated Notes Programme. The RM700 million Sub Debt will mature in 2020 and is callable at the end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The Sub Debt which bears interest of 4.85% per annum is payable semi-annually in arrears.

(b) On 5 May 2011, HLB issued the remaining RM1.0 billion nominal value of Sub Debt which will mature in 2021 and is callable at the end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The second issuance of Sub Debt bears interest at the rate of 4.35% per annum and is payable semi-annually in arrears.

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

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

(d) On 27 February 2009, EBB, a wholly owned subsidiary of the Bank, has successfully issued the first tranche of RM410.0 million nominal value of the 10 non-callable 5 years Subordinated Medium Term Notes ("MTN") callable on 27 February 2014 (and thereafter) and due on 27 February 2019 under the RM2.0 billion Subordinated MTN Programme. The coupon rate of the Subordinated MTN is 5.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should EBB decide not to exercise its call option on the fifth (5) year from the issue date, the coupon rate will be revised to be equivalent to 7.75% or the then prevailing 5 years RM swap rate plus 3.70% per annum, whichever is higher, from the beginning of the sixth (6) year to the final maturity date.

Subsequently, on 2 December 2009, EBB issued a second tranche of RM250.0 million nominal value of the 10 non-callable 5 years Subordinated MTN callable on 2 December 2014 (and thereafter) and due on 2 December 2019 under the RM2.0 billion Subordinated MTN Programme. The coupon rate of this second tranche of the Subordinated MTN is 5.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should EBB decide not to exercise its call option on the fifth (5) year from the issue date, the coupon rate of this second tranche will be revised to be equivalent to 7.75% or the then prevailing 5 years RM swap rate plus 3.70% per annum, whichever is higher, from the beginning of the sixth (6) year to the final maturity date; similar to the step-up rates in the first tranche.

12 Subordinated bonds (continued)

- (d) Subsequently, on 30 December 2010, EBB issued a third tranche of RM500.0 million nominal value of the 10 non-callable 5 years Subordinated MTN callable on 30 December 2015 (and at each anniversary date thereafter) and due on 30 December 2020 under the RM2.0 billion Subordinated MTN Programme. The coupon rate of this third tranche of the Subordinated MTN is 4.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should EBB decide not to exercise its call option on the fifth (5) year from the issue date, or at each anniversary date thereafter, the coupon rate of this third tranche will be remain at 4.75% per annum, from the beginning of the sixth (6) year to the final maturity date.

On 1 July 2011, the above Subordinated MTN was vested to HLB. The above tranches of Subordinated MTNs constitute unsecured liabilities of HLB and are subordinated to all deposit liabilities and all other liabilities except those liabilities, which by their terms, rank equally in rights of payment with the Subordinated MTNs. The Subordinated MTNs qualify as Tier II capital for the purpose of determining the capital adequacy ratio of the Group and HLBB.

13 Tier 2 capital cumulative subordinated loan

	<u>The Group and The Bank</u>	
	Financial	Financial
	Period	Year
	Ended	Ended
	30/09/2011	30/06/2011
	RM'000	RM'000
RM2.3 billion Tier 2 capital cumulative subordinated loan	2,300,000	2,300,000
Add: Interest payable	13,849	14,080
	<u>2,313,849</u>	<u>2,314,080</u>

On 6 May 2011, Hong Leong Financial Group Berhad (“HLFG”), the holding company of HLB provided a Tier 2 Capital Cumulative Subordinated Loan Facility for the amount of up to RM2.3 billion (the “Facility”) to HLB.

The facility provided by HLFG is a bridging loan to assist HLB with its Risk Weighted Capital Adequacy Ratio pending the completion of a proposed rights issue exercise to be undertaken by HLB (“Proposed HLB Rights Issue”).

The tenure of the Facility shall be 99 years from the date of the drawdown i.e. 6 May 2011. HLB may, at any time, at its option and subject to the written approval of BNM, prepay the Facility in part or in whole provided that it has paid in full all accrued interest due on such prepayment date. However, upon completion of, inter alia, the Proposed HLB Rights Issue, HLB shall prepay the Facility in whole together with all accrued interest due.

Interest on the Facility shall be at the rate of 6 month Kuala Lumpur Interbank Offered Rate (KLIBOR) plus spread of 70 basis points per annum, payable quarterly in arrears. HLB may, in certain circumstances, defer payment of interest. However, any such deferral of interest shall be cumulative and payable on the next interest payment date on which interest is not deferred. All deferred interest amount shall be payable not later than the date the Facility is fully repaid or prepaid, as the case may be.

14 Non-innovative Tier 1 stapled securities

	The Group and The Bank	
	Financial	Financial
	Period	Year
	Ended	Ended
	30/09/2011	30/06/2011
	RM'000	RM'000
RM1.4 billion Non-Innovative Tier 1 stapled securities, at par	1,400,000	1,400,000
Add: Interest payable	28,861	11,041
	<u>1,428,861</u>	<u>1,411,041</u>
Less: Unamortised discounts	(4,802)	(5,335)
	<u>1,424,059</u>	<u>1,405,706</u>

On 5 May 2011, HLB had completed its issuance of Non-Innovative Tier 1 Stapled Securities ("NIT-1 Stapled Securities") of RM1.4 billion. The NIT-1 Stapled Securities which is perpetual in nature and callable at the end of year 5 and on each coupon payment date, pays a semi annual coupon of 5.05% per annum. The call option shall be subject to the approval of BNM.

The NIT-1 Stapled Securities constitute unsecured liabilities of the Bank, and is subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue and qualify as Tier 1 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

15 Innovative Tier 1 capital securities

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 30/09/2011 RM'000	Financial Year Ended 30/06/2011 RM'000
RM500 million Innovative Tier 1 capital securities at par	500,000	500,000	500,000	-
Add: Interest payable	2,147	12,658	2,147	-
	<u>502,147</u>	<u>512,658</u>	<u>502,147</u>	<u>-</u>
Less: Unamortised discounts	(10,305)	(9,589)	(11,921)	-
Add: Fair value on Innovative Tier 1 capital securities	114,422	-	114,422	-
	<u>606,264</u>	<u>503,069</u>	<u>604,648</u>	<u>-</u>

On 10 September 2009, EBB issued the first tranche of Innovative Tier 1 Capital Securities ("IT-1 Capital Securities") amounting to RM500 million in nominal value, from its RM1.0 billion IT-1 Capital Securities Programme. The IT-1 Capital Securities is structured in accordance with the Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components) issued by BNM.

The RM500 million IT-1 Capital Securities has a tenor of 30 years and EBB has the option to redeem the RM500 million IT-1 Capital Securities at the 10th anniversary, subject to BNM approval. The RM500 million IT-1 Capital Securities has a coupon rate of 8.25% per annum, payable semi-annually. In the event the IT-1 Capital Securities is not redeemed at the 10th anniversary (the First Optional Redemption Date), the coupon rate will be revised to 9.25% per annum from the 11th year to the final maturity.

On 1 July 2011, the above IT-Capital Securities was vested to HLB. The IT-1 Capital Securities constitute unsecured and subordinated obligations of HLB and are subordinated to all deposit liabilities and all other liabilities except those liabilities which rank equally in, and/or junior to, the rights of payment of the IT-1 Capital Securities. The IT-1 Capital Securities qualify as Tier 1 capital for the purpose of computing the capital adequacy ratio of the Group and HLBB.

16 Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 30 September 2011

The Group

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
Forwards			
(i) Less than 1 year	25,593,336	518,827	(444,571)
(ii) 1 year to 3 years	25,492	-	(510)
(iii) More than 3 years	-	-	-
Swaps			
(i) Less than 1 year	9,681,073	118,459	(153,274)
(ii) 1 year to 3 years	1,530,780	43,255	(13,169)
(iii) More than 3 years	386,211	27,305	(32,285)
Options			
(i) Less than 1 year	5,066,015	57,786	(55,226)
(ii) 1 year to 3 years	138,743	3,989	(3,989)
(iii) More than 3 years	-	-	-
Interest rate related contracts			
Futures			
(i) Less than 1 year	3,220,316	941	(1,127)
(ii) 1 year to 3 years	2,965,550	745	(965)
(iii) More than 3 years	350,000	76	(495)
Swaps			
(i) Less than 1 year	11,850,500	17,393	(22,329)
(ii) 1 year to 3 years	21,034,744	137,586	(159,788)
(iii) More than 3 years	25,223,764	416,000	(436,178)
Equity related contracts			
(i) Less than 1 year	135,570	2,425	(2,425)
(ii) 1 year to 3 years	6,600	-	-
(iii) More than 3 years	-	-	-
Total	107,208,694	1,344,787	(1,326,331)

16 Off-balance sheet financial instruments (continued)

Details of financial instruments with off-balance sheet risk as at 30 September 2011

The Bank

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
Forwards			
(i) Less than 1 year	25,413,292	518,825	(443,318)
(ii) 1 year to 3 years	25,492	-	(510)
(iii) More than 3 years	-	-	-
Swaps			
(i) Less than 1 year	9,610,626	117,635	(153,261)
(ii) 1 year to 3 years	5,007,554	100,433	(70,347)
(iii) More than 3 years	386,211	27,305	(32,285)
Options			
(i) Less than 1 year	5,066,015	57,786	(55,226)
(ii) 1 year to 3 years	138,743	3,989	(3,989)
(iii) More than 3 years	-	-	-
Interest rate related contracts			
Futures			
(i) Less than 1 year	3,220,316	941	(1,127)
(ii) 1 year to 3 years	2,965,550	745	(965)
(iii) More than 3 years	350,000	76	(495)
Swaps			
(i) Less than 1 year	11,850,500	17,393	(22,329)
(ii) 1 year to 3 years	20,939,744	139,743	(157,357)
(iii) More than 3 years	25,808,764	418,435	(423,334)
Equity related contracts			
(i) Less than 1 year	135,570	2,425	(2,425)
(ii) 1 year to 3 years	6,600	-	-
(iii) More than 3 years	-	-	-
Total	110,924,977	1,405,731	(1,366,968)

16 Off-balance sheet financial instruments (continued)

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

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial period, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM1,717,582,210 (FYE June 2011: RM607,463,001) and RM58,038,808,873 (FYE June 2011: RM50,272,681,745) respectively.

Derivatives

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

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial period, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM1,393,670,311 (FYE June 2011: RM760,163,989). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Derivatives

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

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

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

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

16 Off-balance sheet financial instruments (continued)

Credit risk (continued)

Derivatives (continued)

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

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

Liquidity risk

Derivatives (continued)

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

Related accounting policies

Derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from a change in the fair value of the derivatives is recognised in the income statements unless they are part of a hedging relationship which qualifies for hedge accounting where the gain or loss is recognised as follows:

Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

Cash flow hedge

Gains and losses on the hedging instrument, to the extent that the hedge is effective, are deferred in the separate component of equity. The ineffective part of any gain or loss is recognised in the income statement. The deferred gains and losses are then released to the income statement in the periods when the hedged items affects the income statement.

17 Material litigation

The Group does not have any material litigation which, in the opinion of the Directors, would have a material adverse impact on the financial results of the Group.

18 Dividend

No interim dividend has been proposed for the current quarter.

19 Realised and Unrealised Profits

	The Group
	Financial Period Ended 30/09/2011 RM'000
Total retained profits of Hong Leong Bank Berhad and it's subsidiaries	
- Realised	5,122,191
- Unrealised	1,168,268
	<hr/> 6,290,459
Total share of retained profits from associated company	
- Realised	515,870
Total share of retained profits /(accumulated losses) from jointly controlled entity	
- Realised	(1,291)
	<hr/> 6,805,038
Less Consolidation Adjustment	(1,157,193)
Total Group's Retained Profit	<hr/> <hr/> <u>5,647,845</u>

The breakdown of realised and unrealised profits is derived based on the Guidance on Special Note No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The unrealised retained profits of the Banking Group as disclosed above excludes translation gains and losses on monetary items denominated in a currency other than the functional currency and foreign exchange contracts, as these translation gains and losses are incurred in the ordinary course of business of the Banking Group and are deemed realised.

20 Earnings per share

a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit after taxation and minority interest by the weighted average number of ordinary shares (excluding treasury shares) in issue during the period.

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2011 RM'000	30/09/2010 RM'000	30/09/2011 RM'000	30/09/2010 RM'000
<u>The Group</u>				
Net profit attributable to shareholders of the company	407,110	257,200	407,110	257,200
Weighted average number of ordinary shares in issue ('000)	1,580,107	1,580,107	1,580,107	1,580,107
Less: Treasury shares held	(125,194)	(128,686)	(125,194)	(128,686)
	<u>1,454,913</u>	<u>1,451,421</u>	<u>1,454,913</u>	<u>1,451,421</u>
Basic earnings per share (sen)	28.0	17.7	28.0	17.7
<u>The Bank</u>				
Net profit attributable to shareholders of the company	305,938	199,141	305,938	199,141
Weighted average number of ordinary shares in issue ('000)	1,580,107	1,580,107	1,580,107	1,580,107
Less: Treasury shares held	(125,194)	(128,686)	(125,194)	(128,686)
	<u>1,454,913</u>	<u>1,451,421</u>	<u>1,454,913</u>	<u>1,451,421</u>
Basic earnings per share (sen)	21.0	13.7	21.0	13.7

20 Earnings per share (continued)

b) Fully diluted earnings per share

The Bank has only one category of dilutive potential ordinary share, share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Bank's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2011 RM'000	30/09/2010 RM'000	30/09/2011 RM'000	30/09/2010 RM'000
<u>The Group</u>				
Net profit attributable to shareholders of the company	407,110	257,200	407,110	257,200
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,454,913	1,451,421	1,454,913	1,451,421
- adjustment for ESOS	10,697	-	10,697	-
	<u>1,465,610</u>	<u>1,451,421</u>	<u>1,465,610</u>	<u>1,451,421</u>
Fully diluted earnings per share (sen)	27.8	17.7	27.8	17.7
<u>The Bank</u>				
Net profit attributable to shareholders of the company	305,938	199,141	305,938	199,141
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,454,913	1,451,421	1,454,913	1,451,421
- adjustment for ESOS	10,697	-	10,697	-
	<u>1,465,610</u>	<u>1,451,421</u>	<u>1,465,610</u>	<u>1,451,421</u>
Fully diluted earnings per share (sen)	20.9	13.7	20.9	13.7