

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Statements of Financial Position As At 31 March 2012

	The Group		The Bank		
		Financial Period Ended	Financial Year Ended	Financial Period Ended	Financial Year Ended
	Note	31/03/2012 RM'000	30/06/2011 RM'000	31/03/2012 RM'000	30/06/2011 RM'000
<u>ASSETS</u>					
Cash and short-term funds		21,099,845	30,476,610	18,499,497	17,349,793
Deposits and placements with financial institutions		7,003,023	5,415,383	7,118,755	6,131,473
Securities purchased under resale agreements		585,774	86	585,774	86
Financial assets held for trading	8	17,985,159	6,023,147	15,968,767	4,471,896
Financial investments available-for-sale	9	10,047,129	5,954,139	8,621,289	2,536,925
Financial investments held-to-maturity	10	4,577,563	7,820,548	4,868,063	7,922,570
Loans, advances and financing	11	85,147,383	81,950,757	73,365,870	38,548,822
Other assets	12	2,050,668	951,929	1,500,586	428,826
Derivative financial instruments		779,859	790,162	815,520	802,776
Amount due from subsidiaries		-	-	733,896	844,671
Statutory deposits with Bank Negara Malaysia		3,281,480	2,201,874	2,778,450	988,900
Investment in subsidiary companies		-	-	2,329,415	6,088,873
Investment in associated company		1,481,156	1,325,707	946,505	946,505
Investment in jointly controlled entity		76,053	75,252	76,711	76,711
Property and equipment		789,770	646,605	761,006	349,445
Intangible assets		117,896	106,365	113,503	59,536
Goodwill		1,360,174	1,360,174	1,050,759	-
Deferred tax assets		329,316	325,935	225,183	102,281
Total Assets		156,712,248	145,424,673	140,359,549	87,650,089
<u>LIABILITIES AND SHAREHOLDERS' FUNDS</u>					
Deposits from customers	13	122,370,569	114,856,543	109,496,168	65,924,094
Deposits and placements of banks and other financial institutions	14	11,904,777	10,697,661	10,270,154	5,820,144
Obligations on securities sold under repurchase agreements		758,135	-	758,135	-
Bills and acceptances payable		470,810	683,996	412,446	350,474
Other liabilities	15	3,391,445	2,865,019	2,820,922	1,912,498
Derivative financial instruments		829,562	666,706	859,476	672,967
Senior bonds		916,329	910,810	916,329	910,810
Tier 2 subordinated bonds		2,900,427	2,858,493	2,899,761	1,713,260
Tier 2 capital cumulative subordinated loan		-	2,314,080	-	2,314,080
Non-innovative Tier 1 stapled securities		1,424,267	1,405,706	1,424,267	1,405,706
Innovative Tier 1 capital securities		571,032	503,069	569,516	-
Provision for taxation		263,704	197,343	207,877	58,930
Total Liabilities		145,801,057	137,959,426	130,635,051	81,082,963
Share Capital		1,879,909	1,580,107	1,879,909	1,580,107
Reserves		9,763,544	6,556,884	8,576,851	5,658,763
Less: Treasury Shares		(732,262)	(671,744)	(732,262)	(671,744)
Total Shareholders' Equity		10,911,191	7,465,247	9,724,498	6,567,126
Total Liabilities and Equity		156,712,248	145,424,673	140,359,549	87,650,089
<u>COMMITMENTS AND CONTINGENCIES</u>	26	142,583,280	138,279,839	141,412,343	115,912,569
<u>CAPITAL ADEQUACY</u>					
<u>Before deducting proposed dividends</u>					
Core capital ratio	22	11.07%	8.43%	11.57%	11.56%
Risk-weighted capital ratio	22	13.77%	14.05%	12.28%	11.56%
<u>After deducting proposed dividends</u>					
Core capital ratio	22	11.07%	8.25%	11.57%	11.19%
Risk-weighted capital ratio	22	13.77%	13.86%	12.28%	11.19%
Net asset per share attributable to ordinary equity holders of the parent (RM) *		6.24	5.13	5.56	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 31 March 2012

The Group

	Note	Current Quarter Ended 31/03/2012 RM'000	Corresponding Quarter Ended 31/03/2011 RM'000	Current Period Ended 31/03/2012 RM'000	Corresponding Period Ended 31/03/2011 RM'000
Interest income	16	1,390,196	721,884	4,053,216	2,160,499
Interest expense	17	(737,615)	(343,265)	(2,086,832)	(1,033,169)
Net interest income		652,581	378,619	1,966,384	1,127,330
Net income from Islamic Banking business	18	122,495	48,062	332,688	144,274
Other operating income	19	232,596	151,233	628,686	450,061
Net Income		1,007,672	577,914	2,927,758	1,721,665
Other operating expenses	20	(448,524)	(242,947)	(1,448,878)	(709,528)
Operating profit before allowances		559,148	334,967	1,478,880	1,012,137
Allowance for impairment losses on loans, advances and financing	21	(24,423)	(37,615)	(44,352)	(118,478)
Write back of impairment losses		1,985	-	12,296	-
Share of profit after tax of equity accounted associated company		536,710	297,352	1,446,824	893,659
		61,072	57,174	157,828	138,660
Share of profit after tax of equity accounted jointly controlled entity		670	(201)	801	(928)
Profit before taxation (and zakat)		598,452	354,325	1,605,453	1,031,391
Taxation		(133,334)	(64,612)	(351,813)	(193,015)
Zakat		(15)	(17)	(56)	(48)
Net profit for the period		465,103	289,696	1,253,584	838,328
Attributable to:					
Owners of the parent		465,103	289,696	1,253,584	838,328
Net profit for the period		465,103	289,696	1,253,584	838,328
Earnings per share - basic (sen)		28.5	19.9	76.8	57.7
Earnings per share - fully diluted (sen)		28.3	19.9	76.4	57.7

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Statements of Comprehensive Income
For The Financial Quarter Ended 31 March 2012

	The Group			
	Current Quarter Ended 31/03/2012 RM'000	Corresponding Quarter Ended 31/03/2011 RM'000	Current Period Ended 31/03/2012 RM'000	Corresponding Period Ended 31/03/2011 RM'000
Net profit for the financial period/year	465,103	289,696	1,253,584	838,328
Other comprehensive income/(loss):				
Share of other comprehensive income of associate company and jointly controlled entity	-	-	(24)	-
Currency translation difference	(11,805)	(40,239)	(15,661)	(44,988)
Net fair value changes on financial investments available-for-sale	29,175	(15,905)	8,527	(10,731)
Income tax relating to components of other comprehensive income/(loss)	(7,294)	3,976	(2,132)	2,683
Other comprehensive income/(loss) for the financial period/year	10,076	(52,168)	(9,290)	(53,036)
Total comprehensive income for the financial period/year, net of tax	<u>475,179</u>	<u>237,528</u>	<u>1,244,294</u>	<u>785,292</u>
Attributable to:				
- Owners of the parent	<u>475,179</u>	<u>237,528</u>	<u>1,244,294</u>	<u>785,292</u>
	<u>475,179</u>	<u>237,528</u>	<u>1,244,294</u>	<u>785,292</u>

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Income Statements
For The Financial Quarter Ended 31 March 2012

The Bank

	Note	Current Quarter Ended 31/03/2012 RM'000	Corresponding Quarter Ended 31/03/2011 RM'000	Current Period Ended 31/03/2012 RM'000	Corresponding Period Ended 31/03/2011 RM'000
Interest income	16	1,408,544	727,918	4,093,502	2,187,471
Interest expense	17	(769,801)	(359,235)	(2,172,502)	(1,083,179)
Net interest income		638,743	368,683	1,921,000	1,104,292
Other operating income	19	226,677	145,498	663,285	480,108
Net Income		865,420	514,181	2,584,285	1,584,400
Other operating expenses	20	(401,486)	(218,067)	(1,280,279)	(641,208)
Operating profit before allowances		463,934	296,114	1,304,006	943,192
Allowance for impairment losses on loans, advances and financing	21	(22,490)	(31,994)	(18,800)	(97,624)
Write back of impairment losses		1,037	-	8,857	-
Profit before taxation		442,481	264,120	1,294,063	845,568
Taxation		(109,496)	(65,880)	(325,402)	(202,940)
Profit after taxation		332,985	198,240	968,661	642,628
Profit attributable to shareholders		332,985	198,240	968,661	642,628
Earnings per share - basic (sen)		20.4	13.6	59.4	44.2
Earnings per share - fully diluted (sen)		20.3	13.6	59.0	44.2

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Statements of Comprehensive Income
For The Financial Quarter Ended 31 March 2012

	The Bank			
	Current Quarter Ended 31/03/2012 RM'000	Corresponding Quarter Ended 31/03/2011 RM'000	Current Period Ended 31/03/2012 RM'000	Corresponding Period Ended 31/03/2011 RM'000
Net profit for the financial period/year	<u>332,985</u>	<u>198,240</u>	<u>968,661</u>	<u>642,628</u>
Other comprehensive income/(loss):				
Currency translation difference	-	(14)	(11,038)	363
Net fair value changes on financial investments available-for-sale	29,517	(11,663)	4,323	(4,353)
Income tax relating to components of other comprehensive income	<u>(7,379)</u>	<u>2,916</u>	<u>(1,081)</u>	<u>1,088</u>
Other comprehensive gain/(loss) for the financial period/year	<u>22,138</u>	<u>(8,761)</u>	<u>(7,796)</u>	<u>(2,902)</u>
Total comprehensive income for the financial period/year, net of tax	<u><u>355,123</u></u>	<u><u>189,479</u></u>	<u><u>960,865</u></u>	<u><u>639,726</u></u>

Hong Leong Bank Berhad
Condensed Financial Statements

Unaudited Statement of Changes in Equity For The Financial Period Ended 31 March 2012

<u>The Group</u>	Attributable to owners of the parent									
	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	Retained Profit RM'000	Treasury Shares RM'000	Total Shareholders' Equity RM'000
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
<u>Comprehensive income</u>										
Net profit for the period/year	-	-	-	-	-	-	-	1,253,584	-	1,253,584
Share of other comprehensive income of associates	-	-	-	(24)	-	-	-	-	-	(24)
- Net fair value changes in financial investments available-for-sale	-	-	-	6,395	-	-	-	-	-	6,395
- Currency translation difference	-	-	-	-	-	-	(15,661)	-	-	(15,661)
Total comprehensive income/(loss)	-	-	-	6,371	-	-	(15,661)	1,253,584	-	1,244,294
<u>Transactions with owners</u>										
Transfer to statutory reserve/regulatory reserve	-	-	189,957	-	-	5,143	-	(189,957)	-	5,143
Purchase of treasury shares	-	-	-	-	-	-	-	-	(22)	(22)
Issuance of Rights Issue	299,802	2,292,719	-	-	-	-	-	-	(73,612)	2,518,909
Dividend paid	-	-	-	-	-	-	-	(340,823)	-	(340,823)
ESOS exercised	-	-	-	-	(1,921)	-	-	3,066	13,116	14,261
Option charge arising from ESOS granted	-	-	-	-	4,182	-	-	-	-	4,182
Total transactions with owners	299,802	2,292,719	189,957	-	2,261	5,143	-	(527,714)	(60,518)	2,201,650
Closing Balance @ 31 March 2012	1,879,909	2,832,383	2,126,611	108,582	23,382	5,869	(42,509)	4,709,226	(732,262)	10,911,191
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
- Prior year adjustments	-	-	-	79,090	-	-	-	24,655	-	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
<u>Comprehensive income</u>										
Net profit for the period	-	-	-	-	-	-	-	838,328	-	838,328
- Net fair value changes in financial investments available-for-sale	-	-	-	(8,048)	-	-	-	-	-	(8,048)
- Currency translation difference	-	-	-	-	-	-	(44,988)	-	-	(44,988)
Total comprehensive income/(loss)	-	-	-	(8,048)	-	-	(44,988)	838,328	-	785,292
<u>Transactions with owners</u>										
Transfer to statutory reserve/Regulatory reserve	-	-	24,985	-	-	715	-	(24,985)	-	715
Dividend paid	-	-	-	-	-	-	-	(261,518)	-	(261,518)
ESOS exercised	-	-	-	-	(1,483)	-	-	2,515	10,141	11,173
Option charge arising from ESOS granted	-	-	-	-	5,884	-	-	-	-	5,884
Total transactions with owners	-	-	24,985	-	4,401	715	-	(283,988)	10,141	(243,746)
Closing Balance @ 31 March 2011	1,580,107	539,664	1,927,900	88,102	20,230	715	(32,675)	3,623,038	(677,767)	7,069,314

* 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 31 March 2012

	← 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	
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	-	-	-	-	-	-	968,661	-	968,661
- Net fair value changes in financial investments available-for-sale	-	-	-	3,242	-	-	-	-	3,242
- Currency translation difference	-	-	-	-	-	(11,038)	-	-	(11,038)
Total comprehensive income/(loss)	-	-	-	3,242	-	(11,038)	968,661	-	960,865
<u>Transactions with owners</u>									
Transfer to statutory reserve	-	-	138,297	-	-	-	(138,297)	-	-
Dividend paid	-	-	-	-	-	-	(340,823)	-	(340,823)
Purchase of treasury shares	-	-	-	-	-	-	-	(22)	(22)
Issuance of Rights Issue	299,802	2,292,719	-	-	-	-	-	(73,612)	2,518,909
ESOS exercised	-	-	-	-	(1,921)	-	3,066	13,116	14,261
Options charge arising from ESOS granted	-	-	-	-	4,182	-	-	-	4,182
Total transactions with owners	299,802	2,292,719	138,297	-	2,261	-	(476,054)	(60,518)	2,196,507
Closing Balance @ 31 March 2012	1,879,909	2,832,383	1,879,909	110,894	23,382	25,114	3,705,169	(732,262)	9,724,498
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	-	-	-	-	-	-	642,628	-	642,628
- Net fair value changes in financial investments available-for-sale	-	-	-	(3,265)	-	-	-	-	(3,265)
- Currency translation difference	-	-	-	-	-	363	-	-	363
Total comprehensive income/(loss)	-	-	-	(3,265)	-	363	642,628	-	639,726
<u>Transactions with owners</u>									
Dividend paid	-	-	-	-	-	-	(261,518)	-	(261,518)
ESOS exercised	-	-	-	-	(1,483)	-	2,519	10,141	11,177
Options charge arising from ESOS granted	-	-	-	-	5,884	-	-	-	5,884
Total transactions with owners	-	-	-	-	4,401	-	(258,999)	10,141	(244,457)
Closing Balance @ 31 March 2011	1,580,107	539,664	1,741,612	93,392	20,230	35,892	2,973,255	(677,767)	6,306,385

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Condensed Statements of Cash Flows
For The Financial Period Ended 31 March 2012

	The Group		The Bank	
	Financial Period Ended 31/03/2012	Financial Period Ended 31/03/2011	Financial Period Ended 31/03/2012	Financial Period Ended 31/03/2011
	RM'000	RM'000	RM'000	RM'000
Profit before taxation and zakat	1,605,453	1,031,391	1,294,063	845,568
Adjustments for non-cash items	(150,980)	(429,632)	(130,239)	(458,752)
Operating profit before working capital changes	1,454,473	601,759	1,163,824	386,816
Changes in working capital:				
Net changes in operating assets	(19,822,908)	(3,631,194)	(52,357,065)	(2,310,134)
Net changes in operating liabilities	9,973,186	6,600,210	51,601,057	4,808,657
Income taxes and zakat paid	(236,433)	(192,451)	(140,110)	(171,739)
Net cash (used in)/generated from operating activities	<u>(8,631,682)</u>	<u>3,378,324</u>	<u>267,706</u>	<u>2,713,600</u>
Cash flows from investing activities				
Net (purchases)/proceeds of financial investments available-for-sale	(3,917,241)	136,946	(5,898,236)	914,982
Net proceeds/(purchases) of financial investments held-to-maturity	3,642,430	(1,383,202)	3,480,440	(1,243,512)
Purchase of property and equipment	(176,500)	(23,395)	(173,088)	(20,967)
Proceeds from sale of property and equipment	8,419	-	6,713	-
Purchase of intangible assets	(38,412)	(8,088)	(79,802)	(5,352)
Dividend received on financial investments available-for-sale and held-to-maturity	15,771	17,823	15,771	17,823
Investment in subsidiary company	-	-	-	(309,025)
Dividend from associated company	2,379	-	2,379	-
Dividend from subsidiary company	-	-	46,000	32,000
Proceeds from sale of subsidiary companies	-	-	3,759,458	-
Net cash (used in)/generated from investing activities	<u>(463,154)</u>	<u>(1,259,916)</u>	<u>1,159,635</u>	<u>(614,051)</u>
Cash flows from financing activities				
Dividend paid	(340,823)	(261,518)	(340,823)	(261,518)
Repayment of Tier 2 capital cumulative subordinated loan	(2,314,080)	-	(2,314,080)	-
Issuance of Rights Shares	2,518,909	-	2,518,909	-
Purchase of treasury shares	(22)	-	(22)	-
Cash received from ESOS exercised	14,261	11,173	14,261	11,177
Interest paid on subordinated obligations	(147,354)	(17,585)	(147,674)	(17,585)
Net cash generated from/(used in) financing activities	<u>(269,109)</u>	<u>(267,930)</u>	<u>(269,429)</u>	<u>(267,926)</u>
Net (decrease)/increase in cash and cash equivalents	(9,363,945)	1,850,478	1,157,912	1,831,623
Currency translation differences	(12,820)	(42,441)	(8,208)	5,153
Cash and cash equivalents at the beginning of financial period	30,476,610	15,682,086	17,349,793	13,928,247
Cash and cash equivalents at the end of financial period	21,099,845	17,490,123	18,499,497	15,765,023

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR FINANCIAL QUARTER ENDED 31 MARCH 2012

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 cyclicity 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 31 March 2012:-

a) Share issuance

During the period ended 31 March 2012, the Bank increased its issued and paid-up capital from 1,580,107,034 to 1,879,909,100 via issuance of 299,802,066 new ordinary shares of RM1.00 each on the basis of 1 Rights Share for every 5 existing shares held by HLBB's entitled shareholders on 21 September 2011 at an issue price of RM8.65 per rights share.

b) Share Buy-back

During the financial period ended 31 March 2012, the Bank purchased a total of 2,000 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 31 March 2012 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
Oct-11	-	-	-	-	-
Nov-11	-	-	-	-	-
Dec-11	-	-	-	-	-
Jan-12	1,000	11.36	11.36	11.36	11,415
Feb-12	-	-	-	-	-
Mar-12	-	-	-	-	-
For the period	2,000	9.71	11.36	10.59	21,178

The total number of Shares bought back, all of which were held as treasury shares as at 31 March 2012 amounted to 81,098,700 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)

c) 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 31 March 2012, the trust had subscribed the rights entitlement of 8,510,088 shares at the issue price of RM8.65. As at 31 March 2012, the total number of Treasury Shares for ESOS was 50,959,874 at an average carrying value of RM5.90 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;
- (e) 3,095,000 share options at an exercise price of RM9.14; and
- (f) 1,000,000 share options at an exercise price of RM10.55

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.

Arising from the completion of the Bank's Right issue on 18 October 2011, there was an adjustment to the exercise price and number of option shares. The unexercised share options and the exercise price adjusted for the rights issue are listed below :-

- (a) 75,063 share options at an exercise price of RM5.44;
- (b) 13,165,125 share options at an exercise price of RM5.75;
- (c) 6,294,724 share options at an exercise price of RM5.69;
- (d) 154,884 share options at an exercise price of RM7.12;
- (e) 2,804,113 share options at an exercise price of RM8.69; and
- (f) 1,000,000 share options at an exercise price of RM10.55

During the financial period ended 31 March 2012, a total of 2,442,414 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

An interim dividend of 11.0 sen per share less income tax of 25% in respect of financial year ended 30 June 2012 amounting to RM144.2 million was paid on 28 March 2012.

8 Financial assets held-for-trading

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Money market instruments:				
Bank Negara Malaysia bills	8,632,550	767,821	7,154,687	99,624
Malaysian Government treasury bills	231,185	49,185	123,055	49,185
Malaysian Government securities	189,110	116,718	189,110	116,718
Malaysian Government investment certificates	713,191	388,068	410,510	326,987
Bankers' acceptances and Islamic accepted bills	3,009,493	3,732,445	2,745,898	3,140,894
Negotiable instruments of deposit	4,404,363	458,928	4,607,056	357,876
Commercial papers	-	93,847	-	-
Cagamas bonds	84,908	-	84,908	-
	<u>17,264,800</u>	<u>5,607,012</u>	<u>15,315,224</u>	<u>4,091,284</u>
Quoted securities:				
Foreign currency bonds	373,088	380,612	373,088	380,612
Shares outside Malaysia	1,838	-	1,838	-
Unquoted securities:				
Private and Islamic debt securities	345,433	35,523	278,617	-
Total financial assets held-for-trading	<u>17,985,159</u>	<u>6,023,147</u>	<u>15,968,767</u>	<u>4,471,896</u>

9 Financial investments available-for-sale

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Money market instruments:				
Government treasury bills	462,448	364,156	462,448	344,180
Malaysian Government securities	-	632,968	-	394,444
Malaysian Government investment certificates	3,149,195	1,911,745	1,983,050	730,269
Bank Negara Malaysia sukuk	-	114,695	-	-
Bank Negara Malaysia monetary notes	-	57,117	-	-
Bank Negara Malaysia bills	-	76,353	-	-
Negotiable instruments of deposit	12,305	522,051	711,145	-
Islamic negotiable instrument debt securities	-	28,833	-	-
Commercial papers	13,980	-	-	-
Bankers acceptances	-	44,853	-	-
Other Government securities	71,238	-	-	-
Cagamas bonds	600,481	137,259	447,864	20,375
	<u>4,309,647</u>	<u>3,890,030</u>	<u>3,604,507</u>	<u>1,489,268</u>
Quoted Securities:				
Shares and convertible loan stocks	102,669	111,486	96,779	110,374
Shares outside Malaysia	67,249	53,993	67,249	53,993
Foreign currency bonds in Malaysia	1,697,887	172,603	1,682,090	172,603
Foreign currency bonds outside Malaysia	711,682	335,930	711,682	335,930
Private debt securities in Malaysia	-	19,404	-	-
Unquoted securities:				
Private debt securities in Malaysia	2,925,316	1,196,700	2,226,470	224,356
Shares in Malaysia	229,332	170,695	229,165	150,401
Shares outside Malaysia	3,347	3,298	3,347	-
Total financial investments available-for-sale	<u>10,047,129</u>	<u>5,954,139</u>	<u>8,621,289</u>	<u>2,536,925</u>

10 Financial investments held-to-maturity

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Money market instruments:				
Malaysian Government securities	2,381,034	3,577,909	2,381,034	3,577,909
Malaysian Government investment certificates	1,450,255	1,123,311	896,159	903,689
Cagamas bonds	249,628	170,942	208,032	170,942
Negotiable instruments of deposit	96,489	2,677,278	1,190,509	3,194,188
Other Government securities	106,674	14,043	2,497	-
Investment in CPRS-JPM	51,500	-	51,500	-
	<u>4,335,580</u>	<u>7,563,483</u>	<u>4,729,731</u>	<u>7,846,728</u>
Unquoted securities in Malaysia:				
Loan stocks	299	268	299	268
Private and Islamic debt securities	194,659	256,797	91,008	75,574
Unquoted bonds	47,025	-	47,025	-
	<u>241,983</u>	<u>257,065</u>	<u>138,332</u>	<u>75,842</u>
Total financial investments held-to-maturity	<u>4,577,563</u>	<u>7,820,548</u>	<u>4,868,063</u>	<u>7,922,570</u>

11 Loans, advances and financing

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Overdrafts	4,105,638	4,185,914	3,885,297	2,097,307
Term loans:				
- Housing and shop loans/financing	34,922,430	31,796,741	29,897,808	20,010,166
- Syndicated term loan/financing	4,800,905	4,654,683	4,371,315	2,571,439
- Hire purchase receivables	17,390,949	17,315,908	13,439,747	3,015,843
- Lease receivables	50	4,486	-	-
- Other term loans/financing	11,129,571	10,478,950	9,338,782	2,514,792
Credit/charge card receivables	4,232,869	4,262,859	4,232,869	2,497,855
Bills receivables	372,139	354,250	369,814	344,927
Trust receipts	287,076	302,959	281,847	140,659
Claims on customers under acceptance credits	6,496,608	6,621,138	6,044,599	3,919,301
Block discounting	6,835	8,391	6,835	8,391
Revolving credits	3,561,667	3,749,153	3,362,144	2,165,632
Staff loans:				
Directors	-	-	-	-
Staffs other than directors	254,028	305,901	235,021	88,858
Other loans/financing	109,258	133,658	44,359	40,811
Gross loans, advances and financing	87,670,023	84,174,991	75,510,437	39,415,981
Fair value changes arising from fair value hedges	19,262	-	19,262	-
Unamortised fair value changes arising from terminated fair value hedges	22,013	17,177	13,966	14,438
Allowance for impaired loans, advances and financing:				
- Collective assessment allowance	(1,986,377)	(1,575,097)	(1,678,033)	(726,970)
- Individual assessment allowance	(577,538)	(666,314)	(499,762)	(154,627)
Total net loans, advances and financing	85,147,383	81,950,757	73,365,870	38,548,822

11 Loans, advances and financing (continued)

11a By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Domestic non-bank financial institutions	688,132	718,374	518,143	118,720
Domestic business enterprises:				
- small and medium enterprises	13,017,416	12,199,078	11,957,612	3,717,642
- others	16,176,110	15,827,270	14,581,476	9,014,645
Government and statutory bodies	18,490	28,900	16,056	-
Individuals	54,780,964	52,623,181	45,765,519	24,481,830
Other domestic entities	109,319	30,675	21,939	9,816
Foreign entities	2,879,592	2,747,513	2,649,692	2,073,328
Gross loans, advances and financing	<u>87,670,023</u>	<u>84,174,991</u>	<u>75,510,437</u>	<u>39,415,981</u>

11b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Fixed rate				
- Housing and shop loans/financing	3,544,978	3,545,531	2,214,595	756,353
- Hire purchase receivables	17,321,968	17,263,403	13,373,327	2,963,250
- Other fixed rate loan/financing	7,666,890	7,748,261	6,630,303	3,958,910
Variable rate				
- Base lending rate pegged	47,594,354	43,520,900	42,737,119	26,569,853
- Cost plus	11,187,362	11,597,328	10,304,300	5,055,260
- Other variables rates	354,471	499,568	250,793	112,355
Gross loans, advances and financing	<u>87,670,023</u>	<u>84,174,991</u>	<u>75,510,437</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 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Purchase of securities	1,142,568	1,150,991	1,069,850	543,518
Purchase of transport vehicles	17,228,963	17,373,379	13,287,703	3,098,694
Purchase of landed properties				
- residential	29,884,731	27,698,836	25,339,578	16,244,598
- non-residential	9,811,156	9,050,882	9,009,687	5,125,385
Purchase of fixed assets (excluding landed properties)	653,580	670,449	607,380	54,112
Personal use	3,699,248	3,572,467	2,748,800	1,929,546
Credit card	4,232,869	4,262,859	4,232,869	2,497,855
Purchase of consumer durables	124	199	115	70
Construction	965,428	835,551	929,975	299,515
Mergers and acquisition	375,969	-	375,969	-
Working capital	17,859,051	17,831,471	16,284,064	9,525,206
Others	1,816,336	1,727,907	1,624,447	97,482
Gross loans, advances and financing	<u>87,670,023</u>	<u>84,174,991</u>	<u>75,510,437</u>	<u>39,415,981</u>

11d By geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Malaysia	85,694,740	82,352,675	73,614,034	37,608,008
Singapore	1,896,403	1,807,973	1,896,403	1,807,973
Vietnam	78,880	14,343	-	-
Gross loans, advances and financing	<u>87,670,023</u>	<u>84,174,991</u>	<u>75,510,437</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 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Within one year	23,325,938	23,003,752	21,699,889	13,219,190
One year to less than three years	6,081,533	5,768,612	4,996,008	2,420,188
Three years to less than five years	8,642,490	8,754,965	7,084,724	2,688,947
Five years and more	49,620,062	46,647,662	41,729,816	21,087,656
Gross loans, advances and financing	<u>87,670,023</u>	<u>84,174,991</u>	<u>75,510,437</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 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Purchase of securities	9,778	8,828	9,722	4,737
Purchase of transport vehicles	247,919	185,001	193,929	20,992
Purchase of landed properties				
- residential	423,006	458,242	346,618	181,876
- non-residential	76,397	79,403	69,409	15,846
Purchase of fixed assets (excluding landed properties)	20,817	21,067	20,520	-
Personal use	121,532	93,742	100,628	66,998
Credit card	61,055	58,100	61,055	24,770
Purchase of consumer durables	17	17	17	-
Construction	31,296	31,075	29,530	6,412
Working capital	678,814	916,295	587,628	278,885
Others	50,104	31,160	49,741	284
	<u>1,720,735</u>	<u>1,882,930</u>	<u>1,468,797</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 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Malaysia	1,659,945	1,837,905	1,408,007	555,775
Singapore	60,790	45,025	60,790	45,025
	<u>1,720,735</u>	<u>1,882,930</u>	<u>1,468,797</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 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 31/03/2012 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	1,522,137	883,652	1,309,980	592,997
Performing during the financial period/ year	(817,330)	(493,248)	(678,601)	(321,635)
Amount written back in respect of recoveries	(607,526)	(459,440)	(534,877)	(336,457)
Amount written off	(289,823)	(277,596)	(231,186)	(224,157)
Exchange difference	(450)	5,009	(450)	2,606
As at end of the financial period/year	<u>1,720,735</u>	<u>1,882,930</u>	<u>1,468,797</u>	<u>600,800</u>
Gross impaired /non-performing loan as a % of gross loans advances and financing	<u>2.0%</u>	<u>2.2%</u>	<u>1.9%</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 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 31/03/2012 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 *	220,522	-	165,803	-
Allowance made during the period/year	549,187	390,984	468,948	292,817
Amount transfer from individual assessment	55,688	-	45,291	-
Amount written back in respect of recoveries	(227,450)	(101,190)	(184,218)	(70,874)
Amount written off	(180,175)	(217,424)	(179,948)	(170,822)
Unwinding income	(6,179)	(11,018)	(5,604)	(10,064)
Exchange differences	(313)	1,217	(287)	1,243
Closing balance	1,986,377	1,575,097	1,678,033	726,970
As a % of gross loans, advances and financing less loans exempted from individual assessment allowance	2.3%	1.9%	2.2%	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 *	121,445	-	101,297	-
Allowance made during the period/year	45,437	72,277	44,281	27,370
Amount transfer to collective assessment	(55,688)	-	(45,291)	-
Amount written back in respect of recoveries	(96,788)	(83,129)	(93,753)	(48,159)
Amount written off	(99,455)	(44,200)	(40,163)	(37,891)
Unwinding income	(6,749)	(14,974)	(6,558)	(14,836)
Exchange difference	3,022	2,797	(290)	1,419
As at end of the financial period/year	577,538	666,314	499,762	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 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Foreclosed properties	1,338	1,458	1,338	475
Other debtors, deposits and prepayments	2,049,330	950,471	1,499,248	428,351
	<u>2,050,668</u>	<u>951,929</u>	<u>1,500,586</u>	<u>428,826</u>

13 Deposits from customers

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
<u>By type of customer</u>				
Government and statutory bodies	3,436,611	5,571,964	2,264,993	998,891
Business enterprises	59,884,699	49,165,910	51,091,692	28,760,256
Individuals	57,766,505	51,478,647	54,374,796	34,896,549
Others	1,282,754	8,640,022	1,764,687	1,268,398
	<u>122,370,569</u>	<u>114,856,543</u>	<u>109,496,168</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 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Licensed banks	10,491,161	8,043,594	8,856,538	5,820,144
Bank Negara Malaysia	1,413,616	1,897,375	1,413,616	-
Other financial institutions	-	756,692	-	-
	<u>11,904,777</u>	<u>10,697,661</u>	<u>10,270,154</u>	<u>5,820,144</u>

15 Other liabilities

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Zakat	95	66	-	-
Post employment benefits obligation				
- defined contribution plan	3,077	3,102	3,077	3,102
Loan advance payment	1,232,760	1,122,560	1,073,763	1,014,815
Amount due to cagamas	181,577	187,217	181,577	-
Amount due to subsidiary companies	-	-	27,698	28,626
Others	1,973,936	1,552,074	1,534,807	865,955
	<u>3,391,445</u>	<u>2,865,019</u>	<u>2,820,922</u>	<u>1,912,498</u>

16 Interest income

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	RM'000	RM'000	RM'000	RM'000
Group				
Loan, advances and financing	991,942	455,302	2,975,721	1,347,144
Money at call and deposit placements with financial institutions	165,291	139,368	445,971	351,868
Securities purchased under resale agreements	4,747	408	5,686	1,747
Financial assets held-for-trading	41,000	8,663	78,368	48,010
Financial investments available-for-sale	62,320	19,348	151,726	71,145
Financial investments held-to-maturity	124,487	112,044	394,993	339,235
Others	409	(13,249)	751	1,350
	<u>1,390,196</u>	<u>721,884</u>	<u>4,053,216</u>	<u>2,160,499</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>5,653</u>	<u>4,801</u>	<u>12,162</u>	<u>19,619</u>

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	RM'000	RM'000	RM'000	RM'000
Bank				
Loan, advances and financing	987,602	454,747	2,964,097	1,345,850
Money at call and deposit placements with financial institutions	160,810	116,010	425,031	329,195
Securities purchased under resale agreements	4,747	408	5,686	1,747
Financial assets held-for-trading	41,000	8,663	78,368	48,010
Financial investments available-for-sale	66,857	19,348	162,929	71,145
Financial investments held-to-maturity	135,458	116,994	421,481	355,534
Others	12,070	11,748	35,910	35,990
	<u>1,408,544</u>	<u>727,918</u>	<u>4,093,502</u>	<u>2,187,471</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>5,653</u>	<u>4,801</u>	<u>12,162</u>	<u>19,619</u>

17 Interest expense

Group	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	20,057	14,268	56,338	45,292
Deposits from customers	566,270	271,939	1,599,670	767,005
Short term corporate placements	85,151	46,805	207,165	192,655
Senior bonds	9,027	1,298	27,581	1,298
Tier-2 subordinated bonds	29,580	8,741	89,324	26,406
Tier-2 capital cumulative subordinated loan	-	-	28,503	-
Non-innovative Tier-1 stapled securites	18,104	-	54,783	-
Innovative Tier-1 capital securities	6,304	-	13,887	-
Others	3,122	214	9,581	513
	<u>737,615</u>	<u>343,265</u>	<u>2,086,832</u>	<u>1,033,169</u>

Bank	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	31,874	14,219	84,400	45,794
Deposits from customers	586,837	287,958	1,657,843	816,513
Short term corporate placements	85,151	46,805	207,165	192,655
Senior bonds	9,027	1,298	27,581	1,298
Tier-2 subordinated bonds	29,637	8,741	89,494	26,406
Tier-2 capital cumulative subordinated loan	-	-	28,503	-
Non-innovative Tier-1 stapled securites	18,104	-	54,783	-
Innovative Tier-1 capital securities	6,354	-	14,037	-
Others	2,817	214	8,696	513
	<u>769,801</u>	<u>359,235</u>	<u>2,172,502</u>	<u>1,083,179</u>

18 Net income from Islamic Banking business

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2012 RM'000	31/03/2011 RM'000	31/03/2012 RM'000	31/03/2011 RM'000
Group				
Income derived from investment of depositors' funds and others	193,135	91,341	651,110	273,990
of which Finance income	191,835	91,909	646,021	272,183
of which other operating income	1,300	(568)	5,089	1,807
Income derived from investment of shareholders' funds	48,851	10,425	62,297	31,628
of which Finance income	29,696	9,091	49,219	26,920
of which other operating income	19,155	1,334	13,078	4,708
Profit equalisation reserve	-	734	-	3,454
Income attributable to depositors	(119,491)	(54,438)	(380,719)	(164,798)
	<u>122,495</u>	<u>48,062</u>	<u>332,688</u>	<u>144,274</u>

19 Other operating income

Group	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	RM'000	RM'000	RM'000	RM'000
(a) <u>Fee income:</u>				
Commissions	28,840	17,794	86,533	53,135
Service charges and fees	14,905	4,760	40,579	13,970
Guarantee fees	4,086	1,308	13,696	4,387
Other fee income	85,409	50,713	292,674	182,125
	<u>133,240</u>	<u>74,575</u>	<u>433,482</u>	<u>253,617</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	16,519	(8,212)	92,853	37,058
Net gain from sale of financial investments available-for-sale	5,017	2,777	12,996	7,897
Net gain from redemption of financial investments held-to-maturity	421	845	2,472	936
	<u>21,957</u>	<u>(4,590)</u>	<u>108,321</u>	<u>45,891</u>
(c) <u>Gross dividend income from:</u>				
Financial investments available-for-sale	1,395	1,784	15,771	17,823
Financial investments held-to-maturity	-	-	-	-
	<u>1,395</u>	<u>1,784</u>	<u>15,771</u>	<u>17,823</u>

19 Other operating income (continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2012 RM'000	31/03/2011 RM'000	31/03/2012 RM'000	31/03/2011 RM'000
(d) <u>Net unrealised gain/(loss) on revaluation of financial assets held-for-trading and derivatives</u>	<u>(3,543)</u>	<u>41,411</u>	<u>(92,593)</u>	<u>53,785</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>(3,189)</u>	<u>(9,126)</u>	<u>(14,190)</u>	<u>(20,282)</u>
(f) <u>Net unrealised gain/(loss) on fair value changes arising from fair value hedges</u>	<u>25,824</u>	<u>8,119</u>	<u>21,518</u>	<u>19,090</u>
(g) <u>Other income:</u>				
Foreign exchange gain	49,118	34,510	129,263	65,878
Rental income	669	252	1,942	542
Gain on disposal of property and equipment (net)	-	145	681	152
Others	7,125	4,153	24,491	13,565
	<u>56,912</u>	<u>39,060</u>	<u>156,377</u>	<u>80,137</u>
Total other operating income	<u>232,596</u>	<u>151,233</u>	<u>628,686</u>	<u>450,061</u>

19 Other operating income

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2012 RM'000	31/03/2011 RM'000	31/03/2012 RM'000	31/03/2011 RM'000
Bank				
(a) <u>Fee income:</u>				
Commissions	28,753	17,749	86,221	53,089
Service charges and fees	15,344	4,766	42,285	13,988
Guarantee fees	4,074	1,308	13,653	4,387
Other fee income	81,895	50,720	282,774	182,147
	<u>130,066</u>	<u>74,543</u>	<u>424,933</u>	<u>253,611</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	16,524	(8,212)	92,825	37,058
Net gain from sale of financial investments available-for-sale	5,681	2,777	11,999	7,897
Net gain from redemption of financial investments held-to-maturity	421	845	2,472	936
	<u>22,626</u>	<u>(4,590)</u>	<u>107,296</u>	<u>45,891</u>
(c) <u>Gross dividend income from:</u>				
Subsidiary companies	-	-	46,000	32,000
Associated company	-	-	2,379	-
Financial investments available-for-sale	1,395	1,784	15,771	17,823
Financial investments held-to-maturity	-	-	-	-
	<u>1,395</u>	<u>1,784</u>	<u>64,150</u>	<u>49,823</u>

19 Other operating income (continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2012 RM'000	31/03/2011 RM'000	31/03/2012 RM'000	31/03/2011 RM'000
(d) <u>Net unrealised gain/(loss) on revaluation of financial assets held-for-trading and derivatives</u>	<u>(3,543)</u>	<u>41,411</u>	<u>(92,593)</u>	<u>53,785</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>(2,916)</u>	<u>(7,004)</u>	<u>(9,580)</u>	<u>(12,921)</u>
(f) <u>Net unrealised gain/(loss) on fair value changes arising from fair value hedges</u>	<u>25,825</u>	<u>8,119</u>	<u>21,518</u>	<u>19,090</u>
(g) <u>Other income:</u>				
Foreign exchange gain	44,773	26,731	119,010	57,103
Rental income	1,151	252	3,415	542
Gain on disposal of property and equipment (net)	-	145	680	152
Others	7,300	4,107	24,456	13,032
	<u>53,224</u>	<u>31,235</u>	<u>147,561</u>	<u>70,829</u>
Total other operating income	<u>226,677</u>	<u>145,498</u>	<u>663,285</u>	<u>480,108</u>

20 Other operating expenses

Group	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	236,068	121,443	712,582	351,192
- Voluntary Separation Scheme (VSS) *	940	-	115,629	-
- Others	20,880	10,927	64,281	34,486
<u>Establishment costs</u>				
- Depreciation of property and equipment	25,181	13,811	74,555	39,800
- Amortisation of intangible assets	9,337	4,661	26,881	12,864
- Rental	18,457	11,523	54,431	34,376
- Information technology expenses	21,208	15,810	64,354	41,663
- Security services	6,783	3,054	19,636	10,537
- Electricity, water and sewerage	5,360	3,061	18,205	8,108
- Others	10,446	6,420	28,187	17,713
<u>Marketing expenses</u>				
- Advertisement and publicity	12,928	7,429	16,853	17,626
- Credit Card related fees	9,957	7,320	38,987	28,907
- Others	8,189	4,369	21,638	11,565
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,446	1,933	11,170	4,856
- Stationery & printing	6,778	2,886	16,706	7,998
- Professional fees	15,702	12,952	52,887	36,783
- Insurance fees	5,313	2,559	16,158	8,757
- Stamp, postage and courier	6,438	3,754	18,782	9,795
- Credit card fees	16,309	7,247	48,590	21,466
- Others	8,804	1,788	28,366	11,036
	448,524	242,947	1,448,878	709,528

* Hong Leong Bank has implemented a Voluntary Separation Scheme (VSS). This scheme was being introduced as part of the Bank's effort to enhance productivity and efficiency within the organization, as well as an opportunity and option for staff who have expressed their desire for a change such as starting up own business, further studies, early retirement, change of work environment and pursue personal interest.

20 Other operating expenses (continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	RM'000	RM'000	RM'000	RM'000
Bank				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	204,660	102,884	610,783	302,310
- Voluntary Separation Scheme (VSS) *	99	-	99,541	-
- Others	17,774	9,359	55,276	30,511
<u>Establishment costs</u>				
- Depreciation of property and equipment	23,858	12,808	70,470	37,766
- Amortisation of intangible assets	8,992	4,548	25,835	12,416
- Rental	15,859	9,842	46,669	29,850
- Information technology expenses	20,744	15,536	61,607	40,781
- Security services	5,847	2,739	17,433	9,435
- Electricity, water and sewerage	4,827	2,885	16,550	7,603
- Others	6,114	5,361	15,893	13,586
<u>Marketing expenses</u>				
- Advertisement and publicity	12,641	7,347	14,773	17,332
- Credit Card related fees	9,951	7,320	38,981	28,907
- Others	7,848	4,267	20,102	11,326
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,328	1,871	10,661	4,690
- Stationery & printing	6,526	2,818	16,003	7,795
- Professional fees	15,493	12,614	51,528	35,649
- Insurance fees	4,956	2,332	14,896	7,828
- Stamp, postage and courier	6,277	3,710	17,772	9,703
- Credit card fees	16,309	7,247	48,590	21,466
- Others	9,383	2,579	26,916	12,254
	<u>401,486</u>	<u>218,067</u>	<u>1,280,279</u>	<u>641,208</u>

* Hong Leong Bank has implemented a Voluntary Separation Scheme (VSS). This scheme was being introduced as part of the Bank's effort to enhance productivity and efficiency within the organization, as well as an opportunity and option for staff who have expressed their desire for a change such as starting up own business, further studies, early retirement, change of work environment and pursue personal interest.

21 Allowance for impairment losses on loans, advances and financing

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Allowance for impairment losses on loans, advances and financing:				
- collective assessment allowance	96,021	59,105	321,737	173,067
- individual assessment allowance	(8,108)	(1,883)	(51,351)	7,249
Impaired loans and financing written off	1,857	2,452	6,006	6,836
Impaired loans and financing recovered	(65,347)	(22,059)	(232,040)	(68,674)
	<u>24,423</u>	<u>37,615</u>	<u>44,352</u>	<u>118,478</u>

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Allowance for impairment losses on loans, advances and financing:				
- collective assessment allowance	89,550	51,861	284,730	151,490
- individual assessment allowance	(6,769)	(1,069)	(49,472)	5,396
Impaired loans and financing written off	1,811	2,163	5,713	6,258
Impaired loans and financing recovered	(62,102)	(20,961)	(222,171)	(65,520)
	<u>22,490</u>	<u>31,994</u>	<u>18,800</u>	<u>97,624</u>

22 Capital adequacy

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 31/03/2012 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	1,879,909	1,580,107	1,879,909	1,580,107
Share premium	2,832,383	539,664	2,832,383	539,664
Retained profit	4,275,403	3,983,356	3,372,154	3,212,562
Other reserves	2,113,353	1,931,653	1,928,405	1,798,885
Non-innovative Tier-1 stapled securities	1,396,180	1,394,665	1,396,180	1,394,665
Innovative Tier-1 capital securities	490,145	490,273	488,612	-
Less: Treasury shares	(732,262)	(671,744)	(732,262)	(671,744)
Less: Deferred tax assets	(313,245)	(325,935)	(245,310)	(102,281)
Less: Goodwill	(1,360,174)	(1,360,174)	(1,050,759)	-
Total Tier-1 capital	10,581,692	7,561,865	9,869,312	7,751,858
Tier-2 capital				
Collective assessment allowance ^	1,297,947	1,298,856	1,116,940	587,106
Subordinated bonds	2,839,333	2,833,327	2,838,648	1,693,352
Capital cumulative subordinated loan	-	2,300,000	-	2,300,000
Total Tier-2 capital	4,137,280	6,432,183	3,955,588	4,580,458
Total capital	14,718,972	13,994,048	13,824,900	12,332,316
Less: Investment in subsidiary companies	-	-	(2,329,415)	(6,088,873)
Less: Investment in associated company	(1,481,156)	(1,325,707)	(946,505)	(946,505)
Less: Investment in jointly controlled entity	(76,053)	(75,252)	(76,711)	(76,711)
Total capital base	13,161,763	12,593,089	10,472,269	5,220,227
<u>Before deducting proposed dividends</u>				
Core capital ratio	11.07%	8.43%	11.57%	11.56% *
Risk-weighted capital ratio	13.77%	14.05%	12.28%	11.56% *
<u>After deducting proposed dividends</u>				
Core capital ratio	11.07%	8.25%	11.57%	11.19% *
Risk-weighted capital ratio	13.77%	13.86%	12.28%	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.

22 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)	MIMB Investment Bank Berhad (2)
As at 31 March 2012		
<u>Before deducting proposed dividends:</u>		
Core capital ratio	6.80%	85.65%
Risk-weighted capital ratio	<u>10.57%</u>	<u>86.26%</u>
<u>After deducting proposed dividends:</u>		
Core capital ratio	6.80%	85.65%
Risk-weighted capital ratio	<u>10.57%</u>	<u>86.26%</u>
As at 30 June 2011		
<u>Before deducting proposed dividends:</u>		
Core capital ratio	16.06%	62.20%
Risk-weighted capital ratio	<u>17.65%</u>	<u>62.79%</u>
<u>After deducting proposed dividends:</u>		
Core capital ratio	15.41%	62.20%
Risk-weighted capital ratio	<u>16.99%</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 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.

22 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 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Risk-weighted assets for credit risk	85,262,426	79,593,636	75,792,120	39,331,761
Risk-weighted assets for market risk	2,992,063	2,925,259	3,061,728	2,120,012
Risk-weighted assets for operational risk	7,301,055	7,136,364	6,430,072	3,707,107
Total risk-weighted assets	<u>95,555,544</u>	<u>89,655,259</u>	<u>85,283,920</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.

23 Group segmental reporting on revenue, profit and assets

Financial quarter ended 31/03/2012

	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	648,819	49,084	305,139	4,630	-	1,007,672
Inter-segment revenue	(2,665)	158,815	(156,150)	-	-	-
Segment revenue	646,154	207,899	148,989	4,630	-	1,007,672
Segment profit before taxation	297,278	134,149	104,625	658	-	536,710
Share of profit after tax of equity accounted associated company					61,072	61,072
Share of profit after tax of equity accounted jointly controlled entity					670	670
Profit before taxation and zakat						598,452
Taxation and zakat						(133,349)
Profit after taxation						465,103

Financial period ended 31/03/2012

	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	1,912,475	195,326	802,519	17,438	-	2,927,758
Inter-segment revenue	(14,379)	402,155	(387,776)	-	-	-
Segment revenue	1,898,096	597,481	414,743	17,438	-	2,927,758
Segment profit before taxation	779,992	432,396	251,371	(16,935)	-	1,446,824
Share of profit after tax of equity accounted associated company					157,828	157,828
Share of profit after tax of equity accounted jointly controlled entity					801	801
Profit before taxation and zakat						1,605,453
Taxation and zakat						(351,869)
Profit after taxation						1,253,584
Segment assets	61,454,690	24,293,878	61,326,638	355,807	-	147,431,013
Unallocated assets						9,281,235
Total assets						156,712,248

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

Corresponding quarter ended 31/03/2011

	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	327,449	1,941	248,524	-	577,914
Inter-segment revenue	63,471	77,828	(141,299)	-	-
Segment revenue	<u>390,920</u>	<u>79,769</u>	<u>107,225</u>	-	<u>577,914</u>
Segment profit before taxation	174,904	45,403	77,045	-	297,352
Share of profit after tax of equity accounted associated company				57,174	57,174
Share of profit after tax of equity accounted jointly controlled entity				(201)	(201)
Profit before taxation and zakat					<u>354,325</u>
Taxation and zakat					<u>(64,629)</u>
Profit after taxation					<u><u>289,696</u></u>

Financial period ended 31/03/2011

	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	1,000,324	6,304	715,037	-	1,721,665
Inter-segment revenue	171,026	236,540	(407,566)	-	-
Segment revenue	<u>1,171,350</u>	<u>242,844</u>	<u>307,471</u>	-	<u>1,721,665</u>
Segment profit before taxation	549,582	119,545	224,532	-	893,659
Share of profit after tax of equity accounted associated company				138,660	138,660
Share of profit after tax of equity accounted jointly controlled entity				(928)	(928)
Profit before taxation and zakat					<u>1,031,391</u>
Taxation and zakat					<u>(193,063)</u>
Profit after taxation					<u><u>838,328</u></u>
Segment assets	32,674,794	9,501,386	45,396,590	-	87,572,770
Unallocated assets					<u>3,344,922</u>
Total assets					<u><u>90,917,692</u></u>

24 Property and equipment

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

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

There are no material events subsequent to the end of the financial period ended 31 March 2012, except for the following:-

- (a) On 20 April, 2012, HLB announced that it has completed its inaugural US dollar senior unsecured notes issuance of USD300 million (the "Senior Notes") under its Euro Medium Term Note Programme of up to USD1.5 billion (or its equivalent in other currencies) in nominal value (the "Programme") which was established on 9 April 2012.

The Senior Notes are rated A3 by Moody's Investors Service and BBB+ by Fitch Ratings. The Senior Notes will have a tenor of five years, maturing on 19 April 2017. The Senior Notes will pay a coupon of 3.125% per annum which is equivalent to a yield to investors of 3.269% (5-year US Treasury + 238bps).

The net proceeds from the Programme will be utilised for general working capital and other corporate purposes.

25(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.

26 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 31/03/2012			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	468,263	468,263	457,802	559,290	559,291	548,786
Certain transaction related contingent items	1,394,122	697,061	686,754	1,394,682	697,342	686,108
Short term self liquidating trade related contingencies	793,213	158,643	155,104	616,404	123,281	118,414
Forward asset purchases	30,420	30,420	6,084	-	-	-
Underwriting obligations	-	-	-	72,000	-	-
Irrevocable commitments to extend credit:						
- maturity more than one year	10,683,277	4,971,900	4,248,599	12,488,631	2,702,438	2,410,023
- maturity less than one year	21,067,907	5,194,487	4,443,429	17,617,166	4,940,184	4,143,111
Foreign exchange related contracts:						
- less than one year	35,430,725	554,019	317,146	35,896,628	820,583	506,072
- one year to less than five years	1,418,436	160,659	84,000	1,736,341	207,815	115,775
- five years and above	263,461	57,752	28,876	250,376	61,039	30,519
Interest rate related contracts:						
- less than one year	13,750,602	47,910	21,442	12,791,226	36,534	13,876
- one year to less than five years	38,692,717	1,131,105	538,127	35,757,281	1,125,592	489,354
- five years and above	9,666,563	934,698	474,441	9,632,500	897,586	447,893
Equity related contracts:						
- less than one year	57,438	3,655	2,276	163,946	11,268	7,889
- one year to less than five years	10,709	857	270	6,600	528	106
Unutilised credit card lines	8,855,427	1,771,085	1,329,253	9,296,768	1,859,353	1,395,772
Total	142,583,280	16,182,514	12,793,603	138,279,839	14,042,834	10,913,698

26 Commitments and contingencies (continued)

	Financial Period Ended 31/03/2012			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	459,583	459,583	449,122	195,694	195,695	185,190
Certain transaction related contingent items	1,307,692	653,846	643,539	268,190	134,095	122,861
Short term self liquidating trade related contingencies	768,210	153,642	150,104	469,521	93,904	89,038
Forward asset purchases	30,420	30,420	6,084	-	-	-
Irrevocable commitments to extend credit:						
- maturity more than one year	9,450,172	4,725,086	4,018,937	5,109,037	-	-
- maturity less than one year	17,665,464	3,533,093	3,048,693	9,707,861	2,963,380	2,344,882
Foreign exchange related contracts:						
- less than one year	35,683,317	553,196	316,981	33,894,516	792,569	497,029
- one year to less than five years	4,990,568	409,850	333,191	5,360,137	569,576	479,296
- five years and above	263,461	57,752	28,876	250,376	61,039	30,519
Interest rate related contracts:						
- less than one year	13,750,602	47,910	21,442	11,566,226	33,774	13,324
- one year to less than five years	38,502,717	1,126,705	535,930	32,737,281	973,091	475,861
- five years and above	9,616,563	931,698	472,941	9,582,500	894,586	447,293
Equity related contracts:						
- less than one year	57,438	3,655	2,276	163,946	11,268	7,889
- one year to less than five years	10,709	857	270	6,600	528	106
Unutilised credit card lines	8,855,427	1,771,085	1,329,253	6,600,684	1,320,137	991,360
Total	141,412,343	14,458,378	11,357,639	115,912,569	8,043,642	5,684,648

27 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 RM598.5 million for the current financial quarter ended 31 March 2012, an increase of RM244.1 million or 68.9% 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 RM429.8 million, write-back of impairment losses of RM2.0 million, lower allowance for impaired loans of RM13.2 million and higher share of profit from Bank of Chengdu of RM3.9 million but offset by higher other operating expenses of RM205.6 million.

A detailed analysis of the performance of major operating segments of the group are as follows:-

Group Consumer Banking

The Group Consumer Banking's segment recorded a pre-tax profit of RM297.3 million for the 3rd quarter ended March 2012 as compared to previous corresponding quarter of RM174.9 million.

Group Consumer Banking's loan base has almost doubled from RM33.1 billion in March 2011 (pre-acquisition) to RM62.4 billion in March 2012 (post-acquisition). The increased in loan growth has boost up the interest income and non interest income in particular the service charges following the alignment of fee income and on an enlarged customer base coupled with higher credit card related fee income earned in the current period.

Group Business Banking

The Group Business Banking's segment recorded a pre-tax profit of RM134.1million for the 3rd quarter ended March 2012 as compared to previous corresponding quarter of RM45.4 million.

The improvement are mainly contributed by higher loan and deposit base in the current period ended March 2012. Group Business Banking's loan base has increased from RM9.8 billion in March 2011 (pre-acquisition) to RM 25.1 billion (post-acquisition). Deposit base has also registered a growth from RM15.4 billion in March 2011 (pre-acquisition) to RM35.2 billion March 2012 (post-acquisition). As a result, total income increased from RM79.8 million (pre-acquisition) to RM207.9 million (post-acquisition).

1 Review of performance (continued)

Global Markets

The Global Market's segment recorded a pre-tax profit of RM104.6 million for the 3rd quarter ended March 2012 as compared to previous corresponding quarter of RM77.0 million.

Treasury assets has grown from RM44.3 billion in March 2011 (pre-acquisition) to RM60.0 billion in March 2012 (post-acquisition). However, the incremental net interest income was partially offset by the mark-to-market losses under the non interest income line due to market volatility in the current period.

Investment Banking Division

As a result of the legal vesting of the entire assets and liabilities of ECB into Hong Leong Bank Berhad (HLB) on 1 July 2011, MIMB Investment Bank Berhad (MIMB) has thereafter become the wholly-owned subsidiary of HLB and its results were consolidated into HLB Group. For the 3rd quarter ended March 2012, MIMB posted a pre-tax profit of RM0.7 million.

Financial year-to-date against previous financial year-to-date

The Group pre-tax profit for the nine months ended 31 March 2012 stood at RM1,605.5 million, an increase of RM574.1 million or 55.7% as compared to RM1,031.4 million in the previous corresponding period. The increase was due to higher net income by RM1,206.1 million, lower allowance for impaired loans of RM74.1 million, write back of impairment losses by RM12.3 million and higher share of profit from Bank of Chengdu of RM19.2 million. This is however mitigated by higher other operating expenses of RM739.4 million.

A detailed analysis of the performance of major operating segments of the group are as follows:-

Group Consumer Banking

The Group Consumer Banking's segment recorded a pre-tax profit of RM780.0 million for the financial period ended March 2012 compared to previous year corresponding period of RM549.6 million. Besides the increase in loan base, OPR hike of 25bps in May 2011 also contributed to the higher revenue.

1 Review of performance (continued)

Group Business Banking

The Group Business Banking's segment recorded a pre-tax profit of RM432.4 million for the financial period ended March 2012 compared to previous year corresponding period of RM119.5 million. The huge increase in pre-tax profit arising from the improvement in allowance for impaired loans and bad debt recoveries.

Global Markets

The Global Market's segment recorded a pre-tax profit of RM251.4 million for the financial period ended March 2012 compared to previous year corresponding period of RM224.5 million. Treasury assets has grown from RM44.3 billion in March 2011 (pre-acquisition) to RM60.0 billion in March 2012 (post-acquisition). The growth in the treasury assets has contributed a higher net interest income of RM167.8 million in the current period. However, the higher net interest income was partially offset by lower non interest income caused by the MTM loss suffered in the interest rate derivatives.

Investment Banking Division

For the financial period ended March 2012, MIMB posted a loss before tax of RM16.9 million and net loss after tax of RM12.7 million. The losses mainly contributed by RM8.8 million merger costs incurred on voluntary separation scheme for staff and the increase in provision for commitments and contingencies amounting to RM9.0 million.

2 Review of performance of current quarter against preceding quarter

For the current financial quarter, the Group recorded a pre-tax profit of RM598.5 million as compared to RM483.2 million in the preceding quarter, an increase of RM115.3 million mainly from higher net income of RM4.3 million, lower other operating expenses of RM116.2 million coupled with higher share of profit from Bank of Chengdu of RM26.2 million. This is however offset by higher allowance for impaired loans of RM27.6 million and lower write back of impairment losses of RM4.5 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

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	RM'000	RM'000	RM'000	RM'000
The Group				
Malaysian income tax	135,680	68,178	349,534	207,171
Oversea tax	-	-	-	-
	<u>135,680</u>	<u>68,178</u>	<u>349,534</u>	<u>207,171</u>
Transfer from/(to) deferred taxation	(2,346)	(3,566)	2,279	(14,156)
	<u>133,334</u>	<u>64,612</u>	<u>351,813</u>	<u>193,015</u>

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	RM'000	RM'000	RM'000	RM'000
The Bank				
Malaysian income tax	111,723	68,798	335,797	214,826
Oversea tax	-	-	-	-
	<u>111,723</u>	<u>68,798</u>	<u>335,797</u>	<u>214,826</u>
Transfer from/(to) deferred taxation	(2,227)	(2,918)	(10,395)	(11,886)
	<u>109,496</u>	<u>65,880</u>	<u>325,402</u>	<u>202,940</u>

The Group'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, other than as mentioned below:-

(a) On 6 March 2012, HLB placed the following wholly-owned subsidiaries under member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965:-

- 1) EFB Berhad;
- 2) OFB Berhad;
- 3) CFB Nominees (Tempatan) Sdn Bhd;
- 4) Perkasa Nominees (Tempatan) Sdn Bhd;
- 5) CFB Asa Berhad;
- 6) Oriental Nominee (Tempatan) Sdn Bhd; and
- 7) PFB Asa Berhad

(b) On 12 March 2012, HLB announced that the Minister of Finance had via Bank Negara Malaysia's letter dated 9 March 2012, approved the following proposals:

- (1) the proposed disposal by HLB of its entire equity interest in MIMB Investment Bank Berhad ("MIMB") to Hong Leong Capital Berhad ("HLCB") ("Proposed Disposal of MIMB") pursuant to Sections 45(1)(b) of the Banking and Financial Institutions Act 1989 ("BAFIA");
- (2) the execution by HLB of the sale and purchase agreement with HLCB pursuant to Section 49(7) of BAFIA for the Proposed Disposal of MIMB as required under Section 49(1)(a) of BAFIA; and
- (3) the proposed acquisition by HLB of the shell Hong Leong Investment Bank Berhad ("HLIB") as a subsidiary pursuant to Section 29 of BAFIA,

(collectively referred to as the "Proposals").

The Proposals would be undertaken in the following manner:

- (i) HLB shall sell its entire equity interest in MIMB to HLCB;
- (ii) After completion of the Proposed Disposal of MIMB, HLIB shall sell and vest the entire business, assets and liabilities of HLIB to MIMB ("Proposed Business Rationalisation");
- (iii) Subsequent to the Proposed Business Rationalisation, HLIB shall surrender its merchant banking license to Bank Negara Malaysia for cancellation; and
- (iv) HLB shall thereafter acquire the entire equity interest in the shell HLIB from HLCB.

Upon completion of the Proposals, MIMB shall be a wholly-owned subsidiary of HLCB and the investment banking business will be undertaken solely by MIMB. HLIB will cease to be a licensed institution and shall thereafter be wholly-owned by HLB.

8 Status of corporate proposals (continued)

(c) On 10 April 2012, HLB entered into the following:

- (i) a conditional sale and purchase agreement with HLCB for the Proposed Disposal of MIMB (“MIMB SPA”) for an indicative cash consideration of RM157.90 million;
- (ii) a letter of indemnity from HLB to HLCB pursuant to the MIMB SPA; and
- (iii) a conditional sale and purchase agreement with HLCB for the proposed acquisition of the entire equity interest in Hong Leong Investment Bank Berhad (“HLIB”) (“HLIB SPA”) for a sum equal to the net tangible assets of HLIB as at the date immediately preceding the completion date of the HLIB SPA.

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 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Deposits from customers				
Fixed deposits	73,908,330	68,489,506	64,548,105	38,749,415
Negotiable instruments of deposit	6,454,327	5,584,465	7,061,185	4,535,391
Demand deposits	15,170,704	14,944,455	12,961,498	8,576,091
Saving deposits	13,199,154	12,515,496	11,296,385	7,665,531
Short term corporate placement	13,250,540	12,916,173	13,250,540	5,991,218
Other	387,514	406,448	378,455	406,448
	<u>122,370,569</u>	<u>114,856,543</u>	<u>109,496,168</u>	<u>65,924,094</u>

The maturity structure of fixed deposits and negotiable instruments:

One year or less (short term)	73,692,634	69,851,834	66,174,540	40,520,878
More than one year (medium/long term)	6,670,023	4,222,137	5,434,750	2,763,928
	<u>80,362,657</u>	<u>74,073,971</u>	<u>71,609,290</u>	<u>43,284,806</u>

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Deposits and placements of banks and other financial institutions				
Licensed banks	8,958,880	7,461,626	8,856,538	5,820,144
Licensed Islamic banks	1,532,281	581,968	-	-
Bank Negara Malaysia	1,413,616	1,897,375	1,413,616	-
Other financial institutions	-	756,692	-	-
	<u>11,904,777</u>	<u>10,697,661</u>	<u>10,270,154</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)	11,904,777	10,697,661	10,270,154	5,820,144
More than one year (medium/long term)	-	-	-	-
	<u>11,904,777</u>	<u>10,697,661</u>	<u>10,270,154</u>	<u>5,820,144</u>

11 Senior bonds

	<u>The Group and The Bank</u>	
	Financial Period Ended 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
USD 300 million senior bonds, at par	916,350	916,350
Foreign exchange translations	2,700	(9,750)
	<u>919,050</u>	<u>906,600</u>
Add: Interest payable	1,340	9,822
	<u>920,390</u>	<u>916,422</u>
Less: Unamortised discounts	(4,061)	(5,612)
	<u><u>916,329</u></u>	<u><u>910,810</u></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 31/03/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Period Ended 31/03/2012 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		4,744	13,115	4,744	13,115
		<u>704,744</u>	<u>713,115</u>	<u>704,744</u>	<u>713,115</u>
Less: Unamortised discounts		(1,869)	(2,792)	(1,869)	(2,792)
		<u><u>702,875</u></u>	<u><u>710,323</u></u>	<u><u>702,875</u></u>	<u><u>710,323</u></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		17,281	6,793	17,281	6,793
		<u>1,017,281</u>	<u>1,006,793</u>	<u>1,017,281</u>	<u>1,006,793</u>
Less: Unamortised discounts		(2,761)	(3,856)	(2,761)	(3,856)
		<u><u>1,014,520</u></u>	<u><u>1,002,937</u></u>	<u><u>1,014,520</u></u>	<u><u>1,002,937</u></u>

12 Subordinated bonds (continued)

		<u>The Group</u>		<u>The Bank</u>	
		<u>Financial Period Ended 31/03/2012 RM'000</u>	<u>Financial Year Ended 30/06/2011 RM'000</u>	<u>Financial Period Ended 31/03/2012 RM'000</u>	<u>Financial Year Ended 30/06/2011 RM'000</u>
Subordinated medium term notes, at par	(c)	1,160,000	1,160,000	1,160,000	-
Interest payable		13,013	8,983	13,013	-
		<u>1,173,013</u>	<u>1,168,983</u>	<u>1,173,013</u>	<u>-</u>
Less: Unamortised discounts		(16,056)	(23,750)	(16,722)	-
Add: Fair value on subordinated medium term notes		26,075	-	26,075	-
		<u>1,183,032</u>	<u>1,145,233</u>	<u>1,182,366</u>	<u>-</u>
		<u>2,900,427</u>	<u>2,858,493</u>	<u>2,899,761</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 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)

- (c) 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
	31/03/2012	30/06/2011
	RM'000	RM'000
RM2.3 billion Tier 2 capital cumulative subordinated loan	-	2,300,000
Add: Interest payable	-	14,080
	<u>-</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”).

On 18 October 2011, HLB had also fully repaid the RM2.3 billion Tier 2 capital cumulative subordinated loan extended by HLFG following the completion of HLB Rights Issue.

14 Non-innovative Tier 1 stapled securities

	<u>The Group and The Bank</u>	
	Financial	Financial
	Period	Year
	Ended	Ended
	31/03/2012	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	28,086	11,041
	<u>1,428,086</u>	<u>1,411,041</u>
Less: Unamortised discounts	(3,819)	(5,335)
	<u>1,424,267</u>	<u>1,405,706</u>

14 Non-innovative Tier 1 stapled securities (continued)

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>	
	<u>Financial Period Ended 31/03/2012 RM'000</u>	<u>Financial Year Ended 30/06/2011 RM'000</u>	<u>Financial Period Ended 31/03/2012 RM'000</u>	<u>Financial Year Ended 30/06/2011 RM'000</u>
RM500 million Innovative Tier 1 capital securities at par	500,000	500,000	500,000	-
Add: Interest payable	2,260	12,658	2,260	-
	<u>502,260</u>	<u>512,658</u>	<u>502,260</u>	<u>-</u>
Less: Unamortised discounts	(9,871)	(9,589)	(11,387)	-
Add: Fair value on Innovative Tier 1 capital securities	78,643	-	78,643	-
	<u>571,032</u>	<u>503,069</u>	<u>569,516</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 31 March 2012

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	21,776,919	73,195	(139,794)
(ii) 1 year to 3 years	12,254	-	(98)
(iii) More than 3 years	-	-	-
Swaps			
(i) Less than 1 year	9,678,589	174,550	(120,230)
(ii) 1 year to 3 years	787,256	12,293	(17,452)
(iii) More than 3 years	733,023	31,993	(32,310)
Options			
(i) Less than 1 year	3,975,217	17,757	(15,469)
(ii) 1 year to 3 years	149,364	3,083	(3,083)
(iii) More than 3 years	-	-	-
Interest rate related contracts			
Futures			
(i) Less than 1 year	2,453,100	175	(603)
(ii) 1 year to 3 years	483,064	174	(583)
(iii) More than 3 years	100,000	44	(63)
Swaps			
(i) Less than 1 year	11,437,503	29,068	(23,934)
(ii) 1 year to 3 years	21,142,387	99,777	(127,650)
(iii) More than 3 years	26,493,828	337,543	(348,086)
Equity related contracts			
(i) Less than 1 year	57,438	207	(207)
(ii) 1 year to 3 years	10,709	-	-
(iii) More than 3 years	-	-	-
Total	99,290,651	779,859	(829,562)

16 Off-balance sheet financial instruments (continued)

Details of financial instruments with off-balance sheet risk as at 31 March 2012

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	22,078,855	74,263	(139,771)
(ii) 1 year to 3 years	12,254	-	(98)
(iii) More than 3 years	-	-	-
Swaps			
(i) Less than 1 year	9,629,245	174,280	(120,230)
(ii) 1 year to 3 years	4,359,388	47,156	(52,315)
(iii) More than 3 years	733,023	31,993	(32,310)
Options			
(i) Less than 1 year	3,975,217	17,757	(15,469)
(ii) 1 year to 3 years	149,364	3,083	(3,083)
(iii) More than 3 years	-	-	-
Interest rate related contracts			
Futures			
(i) Less than 1 year	2,453,100	175	(603)
(ii) 1 year to 3 years	483,064	174	(583)
(iii) More than 3 years	100,000	44	(63)
Swaps			
(i) Less than 1 year	11,437,502	29,068	(23,934)
(ii) 1 year to 3 years	21,002,387	99,777	(126,271)
(iii) More than 3 years	26,393,829	337,543	(344,539)
Equity related contracts			
(i) Less than 1 year	57,438	207	(207)
(ii) 1 year to 3 years	10,709	-	-
(iii) More than 3 years	-	-	-
Total	102,875,375	815,520	(859,476)

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 RM755,805,719 (FYE June 2011: RM607,463,001) and RM57,470,552,377 (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 RM797,175,641 (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' contact 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.

For financial period ended 31 March 2012, a total dividend of 11 sen per share less tax at 25% has been paid (2010/2011 : 9 sen per share less tax at 25%).

19 Realised and Unrealised Profits

	The Group
	Financial Period Ended 31/03/2012 RM'000
Total retained profits of Hong Leong Bank Berhad and it's subsidiaries	
- Realised	3,103,164
- Unrealised	1,005,709
	<hr/> 4,108,873
Total share of retained profits from associated company	
- Realised	611,857
Total share of retained profits /(accumulated losses) from jointly controlled entity	
- Realised	(658)
	<hr/> 4,720,072
Less Consolidation Adjustment	(10,846)
Total Group's Retained Profit	<hr/> <hr/> <u>4,709,226</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.

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2012 RM'000	31/03/2011 RM'000	31/03/2012 RM'000	31/03/2011 RM'000
<u>The Group</u>				
Net profit attributable to shareholders of the company	465,103	289,696	1,253,584	838,328
Weighted average number of ordinary shares in issue ('000)	1,761,078	1,580,107	1,761,078	1,580,107
Less: Treasury shares held	(129,310)	(127,700)	(129,310)	(127,700)
	<u>1,631,768</u>	<u>1,452,407</u>	<u>1,631,768</u>	<u>1,452,407</u>
Basic earnings per share (sen)	28.5	19.9	76.8	57.7
<u>The Bank</u>				
Net profit attributable to shareholders of the company	332,985	198,240	968,661	642,628
Weighted average number of ordinary shares in issue ('000)	1,761,078	1,580,107	1,761,078	1,580,107
Less: Treasury shares held	(129,310)	(127,700)	(129,310)	(127,700)
	<u>1,631,768</u>	<u>1,452,407</u>	<u>1,631,768</u>	<u>1,452,407</u>
Basic earnings per share (sen)	20.4	13.6	59.4	44.2

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.

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2012 RM'000	31/03/2011 RM'000	31/03/2012 RM'000	31/03/2011 RM'000
<u>The Group</u>				
Net profit attributable to shareholders of the company	465,103	289,696	1,253,584	838,328
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,631,768	1,452,407	1,631,768	1,452,407
- adjustment for ESOS	9,677	-	9,677	-
	<u>1,641,445</u>	<u>1,452,407</u>	<u>1,641,445</u>	<u>1,452,407</u>
Fully diluted earnings per share (sen)	28.3	19.9	76.4	57.7
<u>The Bank</u>				
Net profit attributable to shareholders of the company	332,985	198,240	968,661	642,628
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,631,768	1,452,407	1,631,768	1,452,407
- adjustment for ESOS	9,677	-	9,677	-
	<u>1,641,445</u>	<u>1,452,407</u>	<u>1,641,445</u>	<u>1,452,407</u>
Fully diluted earnings per share (sen)	20.3	13.6	59.0	44.2