

**HONG LEONG BANK BERHAD**  
(97141-X)  
(Incorporated in Malaysia)

**Condensed Financial Statements**  
**Unaudited Statements of Financial Position As At 30 June 2012**

	Note	The Group		The Bank	
		Financial Year Ended 30/06/2012	Financial Year Ended 30/06/2011	Financial Year Ended 30/06/2012	Financial Year Ended 30/06/2011
		RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
Cash and short-term funds		19,636,026	30,476,610	18,410,084	17,349,793
Deposits and placements with financial institutions		4,565,819	5,415,383	4,414,150	6,131,473
Securities purchased under resale agreements		590,521	86	590,521	86
Financial assets held for trading	A8	21,746,847	6,023,147	17,687,270	4,471,896
Financial investments available-for-sale	A9	9,934,316	6,007,635	8,406,844	2,536,925
Financial investments held-to-maturity	A10	3,670,198	7,787,412	3,814,884	7,922,570
Loans, advances and financing	A11	88,193,091	81,455,336	75,997,167	38,548,822
Other assets	A12	541,593	968,370	424,756	428,826
Derivative financial instruments		955,350	790,162	1,027,682	802,776
Amount due from subsidiaries		-	-	615,390	844,671
Statutory deposits with Bank Negara Malaysia		3,331,437	2,201,874	2,880,250	988,900
Investment in subsidiary companies		-	-	2,081,933	6,088,873
Investment in associated company		1,540,288	1,325,707	946,505	946,505
Investment in jointly controlled entity		76,871	75,252	76,711	76,711
Property and equipment		727,096	697,266	701,018	349,445
Intangible assets		446,497	379,422	437,850	59,536
Goodwill		1,831,312	1,831,312	1,771,547	-
Deferred tax assets		-	63,907	-	102,281
<b>Total Assets</b>		<b>157,787,262</b>	<b>145,498,881</b>	<b>140,284,562</b>	<b>87,650,089</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>					
Deposits from customers	A13	123,095,643	114,856,543	108,939,695	65,924,094
Deposits and placements of banks and other financial institutions	A14	9,790,696	10,697,661	7,877,364	5,820,144
Obligations on securities sold under repurchase agreements		633,797	-	633,797	-
Bills and acceptances payable		486,091	683,996	434,780	350,474
Other liabilities	A15	2,739,688	2,934,132	2,664,418	1,912,498
Derivative financial instruments		1,069,227	666,706	1,125,756	672,967
Senior bonds	A16	1,907,793	910,810	1,907,793	910,810
Tier 2 subordinated bonds	A17	4,389,859	2,905,578	4,389,251	1,713,260
Tier 2 capital cumulative subordinated loan	A18	-	2,314,080	-	2,314,080
Non-innovative Tier 1 stapled securities	A19	1,407,283	1,405,706	1,407,283	1,405,706
Innovative Tier 1 capital securities	A20	574,581	595,720	573,115	-
Provision for taxation		163,080	60,184	118,651	58,930
Deferred tax liabilities		110,213	-	114,148	-
<b>Total Liabilities</b>		<b>146,367,951</b>	<b>138,031,116</b>	<b>130,186,051</b>	<b>81,082,963</b>
Share Capital		1,879,909	1,580,107	1,879,909	1,580,107
Reserves		10,254,194	6,559,402	8,933,394	5,658,763
Less: Treasury Shares		(714,792)	(671,744)	(714,792)	(671,744)
<b>Total Shareholders' Equity</b>		<b>11,419,311</b>	<b>7,467,765</b>	<b>10,098,511</b>	<b>6,567,126</b>
<b>Total Liabilities and Equity</b>		<b>157,787,262</b>	<b>145,498,881</b>	<b>140,284,562</b>	<b>87,650,089</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	A31	<b>148,989,018</b>	<b>138,279,839</b>	<b>146,771,470</b>	<b>115,912,569</b>
<b>CAPITAL ADEQUACY</b>					
<b>Before deducting proposed dividends</b>					
Core capital ratio	A27	11.67%	8.47%	11.70%	11.56%
Risk-weighted capital ratio	A27	15.88%	14.26%	14.50%	11.56%
<b>After deducting proposed dividends</b>					
Core capital ratio	A27	11.30%	8.28%	11.28%	11.19%
Risk-weighted capital ratio	A27	15.50%	14.06%	14.07%	11.19%
Net asset per share attributable to ordinary equity holders of the parent (RM) *		6.52	5.14	5.77	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**  
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**Condensed Financial Statements**  
**Unaudited Income Statements**  
**For The Financial Quarter Ended 30 June 2012**

**The Group**

	<b>Note</b>	<b>Current Quarter Ended 30/06/2012 RM'000</b>	<b>Corresponding Quarter Ended 30/06/2011 RM'000</b>	<b>Current Year Ended 30/06/2012 RM'000</b>	<b>Corresponding Year Ended 30/06/2011 RM'000</b>
Interest income	A21	1,387,836	1,094,485	5,441,052	3,254,984
Interest expense	A22	(752,404)	(565,889)	(2,839,236)	(1,599,058)
Net interest income		635,432	528,596	2,601,816	1,655,926
Net income from Islamic Banking business	A23	114,910	82,816	447,598	227,090
Other operating income	A24	215,593	218,634	844,279	668,695
Net Income		965,935	830,046	3,893,693	2,551,711
Other operating expenses	A25	(476,018)	(502,008)	(1,924,896)	(1,211,536)
Operating profit before allowances		489,917	328,038	1,968,797	1,340,175
Allowance for impairment losses on loans, advances and financing	A26	(66,828)	(18,796)	(111,180)	(137,274)
Write back of impairment losses		20,406	2,094	32,702	2,094
Share of profit after tax of equity accounted associated company		443,495	311,336	1,890,319	1,204,995
Share of profit after tax of equity accounted jointly controlled entity		59,132	72,332	216,960	210,992
Share of profit after tax of equity accounted jointly controlled entity		818	157	1,619	(771)
Profit before taxation (and zakat)		503,445	383,825	2,108,898	1,415,216
Taxation		(108,707)	(84,684)	(460,520)	(277,699)
Zakat		(166)	(23)	(222)	(71)
Net profit for the period		394,572	299,118	1,648,156	1,137,446
<b>Attributable to:</b>					
Owners of the parent		394,572	299,118	1,648,156	1,137,446
Net profit for the period		394,572	299,118	1,648,156	1,137,446
Earnings per share - basic (sen)	B13	23.8	20.6	99.2	78.3
Earnings per share - fully diluted (sen)	B13	23.7	20.5	98.9	77.8

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**Condensed Financial Statements**  
**Unaudited Statements of Comprehensive Income**  
**For The Financial Quarter Ended 30 June 2012**

	<b>The Group</b>			
	<b>Current Quarter Ended 30/06/2012 RM'000</b>	<b>Corresponding Quarter Ended 30/06/2011 RM'000</b>	<b>Current Year Ended 30/06/2012 RM'000</b>	<b>Corresponding Year Ended 30/06/2011 RM'000</b>
Net profit for the financial period/year	<u>394,572</u>	<u>299,118</u>	<u>1,648,156</u>	<u>1,137,446</u>
Other comprehensive income/(loss):				
Share of other comprehensive income of associate company and jointly controlled entity	2	(24)	(22)	(24)
Currency translation difference	21,729	5,827	6,068	(39,161)
Net fair value changes on financial investments available-for-sale	100,552	18,844	109,079	8,113
Income tax relating to components of other comprehensive income/(loss)	<u>(25,138)</u>	<u>(4,711)</u>	<u>(27,270)</u>	<u>(2,028)</u>
Other comprehensive income/(loss) for the financial period/year	<u>97,145</u>	<u>19,936</u>	<u>87,855</u>	<u>(33,100)</u>
Total comprehensive income for the financial period/year, net of tax	<u><u>491,717</u></u>	<u><u>319,054</u></u>	<u><u>1,736,011</u></u>	<u><u>1,104,346</u></u>
Attributable to:				
- Owners of the parent	<u>491,717</u>	<u>319,054</u>	<u>1,736,011</u>	<u>1,104,346</u>
	<u><u>491,717</u></u>	<u><u>319,054</u></u>	<u><u>1,736,011</u></u>	<u><u>1,104,346</u></u>

**HONG LEONG BANK BERHAD**  
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**Condensed Financial Statements**  
**Unaudited Income Statements**  
**For The Financial Quarter Ended 30 June 2012**

**The Bank**

	Note	Current Quarter Ended 30/06/2012 RM'000	Corresponding Quarter Ended 30/06/2011 RM'000	Current Year Ended 30/06/2012 RM'000	Corresponding Year Ended 30/06/2011 RM'000
Interest income	A21	1,400,330	765,058	5,493,832	2,952,529
Interest expense	A22	(769,750)	(418,014)	(2,942,252)	(1,501,193)
Net interest income		630,580	347,044	2,551,580	1,451,336
Other operating income	A24	218,914	209,360	882,199	689,468
Net Income		849,494	556,404	3,433,779	2,140,804
Other operating expenses	A25	(432,086)	(325,336)	(1,712,365)	(966,544)
Operating profit before allowances		417,408	231,068	1,721,414	1,174,260
Allowance for impairment losses on loans, advances and financing	A26	(57,889)	1,930	(76,689)	(95,694)
Write back of impairment losses		20,406	-	29,263	-
Profit before taxation		379,925	232,998	1,673,988	1,078,566
Taxation		(101,306)	(68,133)	(426,708)	(271,073)
Profit after taxation		278,619	164,865	1,247,280	807,493
Profit attributable to shareholders		278,619	164,865	1,247,280	807,493
Earnings per share - basic (sen)	B13	16.8	11.3	75.1	55.6
Earnings per share - fully diluted (sen)	B13	16.7	11.3	74.8	55.3

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**Condensed Financial Statements**  
**Unaudited Statements of Comprehensive Income**  
**For The Financial Quarter Ended 30 June 2012**

	<b>The Bank</b>			
	<b>Current Quarter Ended 30/06/2012 RM'000</b>	<b>Corresponding Quarter Ended 30/06/2011 RM'000</b>	<b>Current Year Ended 30/06/2012 RM'000</b>	<b>Corresponding Year Ended 30/06/2011 RM'000</b>
Net profit for the financial period/year	<u>278,619</u>	<u>164,865</u>	<u>1,247,280</u>	<u>807,493</u>
Other comprehensive income/(loss):				
Currency translation difference	-	260	(11,038)	623
Net fair value changes on financial investments available-for-sale	101,821	19,013	106,144	14,660
Income tax relating to components of other comprehensive income	<u>(25,455)</u>	<u>(4,753)</u>	<u>(26,536)</u>	<u>(3,665)</u>
Other comprehensive gain/(loss) for the financial period/year	<u>76,366</u>	<u>14,520</u>	<u>68,570</u>	<u>11,618</u>
Total comprehensive income for the financial period/year, net of tax	<u><u>354,985</u></u>	<u><u>179,385</u></u>	<u><u>1,315,850</u></u>	<u><u>819,111</u></u>

**HONG LEONG BANK BERHAD**  
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**Condensed Financial Statements**  
**Unaudited Statement of Changes in Equity For The Financial Year Ended 30 June 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
<b>Balance as at 1 July 2011</b>	1,580,107	539,664	1,936,654	102,211	21,121	726	(26,848)	3,983,356	(671,744)	7,465,247
- Prior year adjustments	-	-	-	-	-	-	-	2,518	-	2,518
<b>Balance as at 1 July 2011, as restated</b>	<u>1,580,107</u>	<u>539,664</u>	<u>1,936,654</u>	<u>102,211</u>	<u>21,121</u>	<u>726</u>	<u>(26,848)</u>	<u>3,985,874</u>	<u>(671,744)</u>	<u>7,467,765</u>
<u>Comprehensive income</u>										
Net profit for the period/year	-	-	-	-	-	-	-	1,648,156	-	1,648,156
- Share of other comprehensive income of associates	-	-	-	(22)	-	-	-	-	-	(22)
- Net fair value changes in financial investments available-for-sale	-	-	-	81,809	-	-	-	-	-	81,809
- Currency translation difference	-	-	-	-	-	-	6,068	-	-	6,068
Total comprehensive income/(loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,787</u>	<u>-</u>	<u>-</u>	<u>6,068</u>	<u>1,648,156</u>	<u>-</u>	<u>1,736,011</u>
<u>Transactions with owners</u>										
Transfer to statutory reserve/regulatory reserve	-	-	213,147	-	-	5,319	-	(218,466)	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	(22)	(22)
Rights Issue	299,802	2,292,719	-	-	-	-	-	-	(73,612)	2,518,909
Dividend paid	-	-	-	-	-	-	-	(340,823)	-	(340,823)
ESOS exercised	-	-	-	-	(4,054)	-	-	5,523	30,586	32,055
Option charge arising from ESOS granted	-	-	-	-	5,416	-	-	-	-	5,416
Total transactions with owners	<u>299,802</u>	<u>2,292,719</u>	<u>213,147</u>	<u>-</u>	<u>1,362</u>	<u>5,319</u>	<u>-</u>	<u>(553,766)</u>	<u>(43,048)</u>	<u>2,215,535</u>
<b>Closing Balance @ 30 June 2012</b>	<u><b>1,879,909</b></u>	<u><b>2,832,383</b></u>	<u><b>2,149,801</b></u>	<u><b>183,998</b></u>	<u><b>22,483</b></u>	<u><b>6,045</b></u>	<u><b>(20,780)</b></u>	<u><b>5,080,264</b></u>	<u><b>(714,792)</b></u>	<u><b>11,419,311</b></u>
Balance as at 1 July 2010	1,580,107	539,664	1,902,915	96,150	15,829	-	12,313	3,139,653	(687,908)	6,598,723
<u>Comprehensive income</u>										
Net profit for the period	-	-	-	-	-	-	-	1,137,446	-	1,137,446
- Share of other comprehensive income of associates	-	-	-	(24)	-	-	-	-	-	(24)
- Net fair value changes in financial investments available-for-sale	-	-	-	6,085	-	-	-	-	-	6,085
- Currency translation difference	-	-	-	-	-	-	(39,161)	-	-	(39,161)
Total comprehensive income/(loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,061</u>	<u>-</u>	<u>-</u>	<u>(39,161)</u>	<u>1,137,446</u>	<u>-</u>	<u>1,104,346</u>
<u>Transactions with owners</u>										
Transfer to statutory reserve/regulatory reserve	-	-	33,739	-	-	726	-	(33,742)	-	723
Dividend paid	-	-	-	-	-	-	-	(261,518)	-	(261,518)
Purchase of treasury shares	-	-	-	-	-	-	-	-	(19)	(19)
ESOS exercised	-	-	-	-	(2,314)	-	-	4,035	16,183	17,904
Option charge arising from ESOS granted	-	-	-	-	7,606	-	-	-	-	7,606
Total transactions with owners	<u>-</u>	<u>-</u>	<u>33,739</u>	<u>-</u>	<u>5,292</u>	<u>726</u>	<u>-</u>	<u>(291,225)</u>	<u>16,164</u>	<u>(235,304)</u>
<b>Closing Balance @ 30 June 2011</b>	<u><b>1,580,107</b></u>	<u><b>539,664</b></u>	<u><b>1,936,654</b></u>	<u><b>102,211</b></u>	<u><b>21,121</b></u>	<u><b>726</b></u>	<u><b>(26,848)</b></u>	<u><b>3,985,874</b></u>	<u><b>(671,744)</b></u>	<u><b>7,467,765</b></u>

\* 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.

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**Condensed Financial Statements**  
**Unaudited Statement of Changes in Equity For The Financial Year Ended 30 June 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	Total RM'000
<b>The Bank</b>									
<b>Balance as at 1 July 2011</b>	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	-	-	-	-	-	-	1,247,280	-	1,247,280
- Net fair value changes in financial investments available-for-sale	-	-	-	79,608	-	-	-	-	79,608
- Currency translation difference	-	-	-	-	-	(11,038)	-	-	(11,038)
Total comprehensive income/(loss)	-	-	-	79,608	-	(11,038)	1,247,280	-	1,315,850
<u>Transactions with owners</u>									
Effect of common control accounting	-	-	-	(2,477)	-	-	2,477	-	-
Transfer to statutory reserves	-	-	138,297	-	-	-	(138,297)	-	-
Dividend paid	-	-	-	-	-	-	(340,823)	-	(340,823)
Purchase of treasury shares	-	-	-	-	-	-	-	(22)	(22)
Rights Issue	299,802	2,292,719	-	-	-	-	-	(73,612)	2,518,909
ESOS exercised	-	-	-	-	(4,054)	-	5,523	30,586	32,055
Options charge arising from ESOS granted	-	-	-	-	5,416	-	-	-	5,416
Total transactions with owners	299,802	2,292,719	138,297	(2,477)	1,362	-	(471,120)	(43,048)	2,215,535
<b>Closing Balance @ 30 June 2012</b>	<b>1,879,909</b>	<b>2,832,383</b>	<b>1,879,909</b>	<b>184,783</b>	<b>22,483</b>	<b>25,114</b>	<b>3,988,722</b>	<b>(714,792)</b>	<b>10,098,511</b>
Balance as at 1 July 2010	1,580,107	539,664	1,741,612	96,657	15,829	35,529	2,662,552	(687,908)	5,984,042
<u>Comprehensive income</u>									
Net profit for the period	-	-	-	-	-	-	807,493	-	807,493
- Net fair value changes in financial investments available-for-sale	-	-	-	10,995	-	-	-	-	10,995
- Currency translation difference	-	-	-	-	-	623	-	-	623
Total comprehensive income/(loss)	-	-	-	10,995	-	623	807,493	-	819,111
<u>Transactions with owners</u>									
Dividend paid	-	-	-	-	-	-	(261,518)	-	(261,518)
Purchase of treasury shares	-	-	-	-	-	-	-	(19)	(19)
ESOS exercised	-	-	-	-	(2,314)	-	4,035	16,183	17,904
Options charge arising from ESOS granted	-	-	-	-	7,606	-	-	-	7,606
Total transactions with owners	-	-	-	-	5,292	-	(257,483)	16,164	(236,027)
<b>Closing Balance @ 30 June 2011</b>	<b>1,580,107</b>	<b>539,664</b>	<b>1,741,612</b>	<b>107,652</b>	<b>21,121</b>	<b>36,152</b>	<b>3,212,562</b>	<b>(671,744)</b>	<b>6,567,126</b>

**HONG LEONG BANK BERHAD**  
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**Condensed Financial Statements**  
**Unaudited Condensed Statements of Cash Flows**  
**For The Financial Year Ended 30 June 2012**

	The Group		The Bank	
	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Profit before taxation and zakat	2,108,898	1,415,216	1,673,988	1,078,566
Adjustments for non-cash items	175,770	(466,866)	252,117	(439,650)
Operating profit before working capital changes	2,284,668	948,350	1,926,105	638,916
Changes in working capital:				
Net changes in operating assets	(23,512,975)	(1,331,680)	(17,532,259)	(1,587,453)
Net changes in operating liabilities	7,953,822	3,646,204	5,640,371	3,500,665
Income taxes and zakat paid	(239,601)	(287,889)	(221,846)	(281,963)
Net cash (used in)/generated from operating activities	<u>(13,514,086)</u>	<u>2,974,985</u>	<u>(10,187,629)</u>	<u>2,270,165</u>
<b>Cash flows from investing activities</b>				
Subscription of new shares in subsidiaries	-	-	(200,000)	(309,025)
Acquisition of assets and liabilities of EON Capital Berhad ("ECB"), net of cash acquired	-	4,729,494	4,411,206	(5,055,710)
Net (purchases)/proceeds of financial investments available-for-sale	(3,558,410)	2,387,355	(3,317,201)	1,567,526
Net proceeds/(purchases) of financial investments held-to-maturity	4,337,753	(609,679)	4,480,604	(438,963)
Purchase of property and equipment	(151,082)	(88,964)	(195,073)	(77,697)
Proceeds from sale of property and equipment	17,466	1,870	13,530	1,717
Purchase of intangible assets	(142,594)	(33,512)	(88,571)	(29,852)
Dividend received on financial investments available-for-sale and held-to-maturity	22,942	23,766	22,942	23,473
Dividend from associated company	2,379	57,436	2,379	16,411
Dividend from subsidiary company	-	-	46,000	32,000
Proceeds from sale of subsidiary companies	-	-	3,955,943	-
Net cash generated from/(used in) investing activities	<u>528,454</u>	<u>6,467,766</u>	<u>9,131,759</u>	<u>(4,270,120)</u>
<b>Cash flows from financing activities</b>				
Dividend paid	(340,823)	(261,518)	(340,823)	(261,518)
Repayment of subdebt USD 200 million	-	(650,454)	-	(650,454)
Repayment of Tier 2 capital cumulative subordinated loan	(2,300,000)	-	(2,300,000)	-
Issuance of Rights Shares	2,518,909	-	2,518,909	-
Purchase of treasury shares	(22)	(19)	(22)	(19)
Cash received from ESOS exercised	32,055	17,904	32,055	17,904
Proceeds from debt issuance				
- Senior bonds	910,959	910,738	910,959	910,738
- Tier 2 subordinated bonds	1,453,587	1,695,176	1,448,324	1,695,176
- Tier 2 capital cumulative subordinated loan	-	2,300,000	-	2,300,000
- Non-innovative Tier 1 stapled securities	-	1,394,665	-	1,394,665
- Innovative Tier 1 capital securities	-	-	-	-
Interest paid on subordinated obligations	(205,085)	(54,277)	(211,852)	(23,029)
Net cash generated from financing activities	<u>2,069,580</u>	<u>5,352,215</u>	<u>2,057,550</u>	<u>5,383,463</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(10,916,052)</b>	<b>14,794,966</b>	<b>1,001,680</b>	<b>3,383,508</b>
<b>Currency translation differences</b>	<b>75,468</b>	<b>(48,092)</b>	<b>58,611</b>	<b>(9,612)</b>
<b>Cash and cash equivalents at the beginning of financial period</b>	<b>30,476,610</b>	<b>15,729,736</b>	<b>17,349,793</b>	<b>13,975,897</b>
<b>Cash and cash equivalents at the end of financial year</b>	<b>19,636,026</b>	<b>30,476,610</b>	<b>18,410,084</b>	<b>17,349,793</b>



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

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS  
FOR FINANCIAL YEAR ENDED 30 JUNE 2012**

**A1 Basis of preparation**

The unaudited condensed financial statements of the Group and the Bank have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: financial assets held-for-trading, financial investments available-for-sale and derivative financial instruments.

The unaudited condensed financial statements have been prepared in accordance with 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 audited annual financial statements for the Group and the Bank for the financial year ended 30 June 2011. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 30 June 2011.

The unaudited condensed financial statements incorporated those activities relating to Islamic banking business which have been undertaken by the Group. Islamic banking business refers generally to the acceptance of deposits and granting of financing under the principles of Shariah.

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2011, except for the adoption of the following Revised Financial Reporting Standards("FRS"), Amendments to FRS and Intrepretations of the Issues Committee ("IC Intrepretations"):

Revised FRS 1	"First-time Adoption of Financial Reporting Standards"
Revised FRS 127	"Consolidated and Separate Financial Statements"
Amendments to FRS 2	"Share-based payment - Group Cash-Settled Share-Based Payment Transactions"
Amendments to FRS 7	"Financial Instruments: Disclosures - Improving Disclosures About Financial Instruments"
Amendments to FRS 1	"First-Time Adoption of Financial Reporting Standards"
Amendments to FRS 132	"Financial Instruments: Presentation-Classification of Rights Issues"
IC Interpretation 4	"Determining Whether An Arrangement Contains A Lease"
IC Interpretation 12	"Service Concession Arrangements"
IC Interpretation 18	"Transfers of Assets from Customers"

The adoption of the above new standards, amendments and improvements to published standards did not give rise to any material financial impact to the Group and Bank, other than the prior year adjustments as disclosed in Note A33.

On 19 November 2011, the MASB issued the new Malaysian Financial Reporting Standards ("MFRS") framework, consisting of accounting standards which are in line with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012.

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**A1 Basis of preparation** (continued)

The Group and the Bank will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 30 June 2013. In preparing its first MFRS financial statements, the Group and the Bank will need to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made retrospectively, against opening retained profits.

**A2 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.

**A3 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.

**A4 Exceptional items or unusual events affecting financial statements**

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

**A5 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.

**A6 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 year ended 30 June 2012:-

a) Share issuance

During the financial year ended 30 June 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.

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**A6 Issuance and repayment of debt and equity securities (continued)**

b) Share Buy-back

During the financial year ended 30 June 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 year ended 30 June 2012 were as follows:

<b>Month</b>	<b>No of shares bought back</b>	<b>Lowest price paid</b>	<b>Highest price paid</b>	<b>Average price paid</b>	<b>Total consideration (including transaction cost)</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
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	-	-	-	-	-
Apr-12	-	-	-	-	-
May-12	-	-	-	-	-
Jun-12	-	-	-	-	-
<b>For the year</b>	<b>2,000</b>	<b>9.71</b>	<b>11.36</b>	<b>10.59</b>	<b>21,178</b>

The total number of Shares bought back, all of which were held as treasury shares as at 30 June 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.

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 year ended 30 June 2012, the trust had subscribed the rights entitlement of 8,510,088 shares at the issue price of RM8.65. As at 30 June 2012, the total number of Treasury Shares for ESOS was 48,000,196 at an average carrying value of RM5.90 per share.

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**A6 Issuance and repayment of debt and equity securities** (continued)

c) Purchase of shares pursuant to ESOS (continued)

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

- (i) 4,500,000 share options at an exercise price of RM5.72;
- (ii) 21,800,000 share options at an exercise price of RM6.05;
- (iii) 12,835,000 share options at an exercise price of RM5.99;
- (ix) 200,000 share options at an exercise price of RM7.49;
- (x) 3,095,000 share options at an exercise price of RM9.14; and
- (xi) 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 :-

- (i) 75,063 share options at an exercise price of RM5.44;
- (ii) 13,165,125 share options at an exercise price of RM5.75;
- (iii) 6,294,724 share options at an exercise price of RM5.69;
- (ix) 154,884 share options at an exercise price of RM7.12;
- (x) 2,804,113 share options at an exercise price of RM8.69; and
- (xi) 1,000,000 share options at an exercise price of RM10.55

During the financial year ended 30 June 2012, a total of 5,402,092 ordinary shares of RM1 each for cash were exercised pursuant to the Company's ESOS at exercise price above per ordinary share.

d) Senior Bonds

On 20 April, 2012, the Bank 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 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%.

e) Tier 2 Subordinated Notes

On 22 June 2012, the Bank had completed the issuance of RM1.5 billion nominal value of Tier 2 Subordinated Notes ("Sub Notes"). The RM1.5 billion Sub Notes will mature in 2024 and are callable on any interest payment date falling on or after the 7th anniversary of the issue date subject to approval of BNM. The Sub Notes which bears interest of 4.50% per annum is payable semi-annually in arrears.

**A7 Dividends paid**

A final dividend of 15.0 sen per share less income tax of 25% in respect of financial year ended 30 June 2011 amounting to RM196.6 million was paid on 16 November 2011. An interim dividend of 11.0 sen per share less income tax of 25% in respect of financial year ending 30 June 2012 amounting to RM144.2 million was paid on 28 March 2012.

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**A8 Financial assets held-for-trading**

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Money market instruments:				
Bank Negara Malaysia bills	11,044,525	767,821	7,386,564	99,624
Government treasury bills	253,388	49,185	253,388	49,185
Malaysian Government securities	236,879	116,718	236,879	116,718
Malaysian Government investment certificates	2,177,642	388,068	1,730,729	326,987
Bankers' acceptances and Islamic accepted bills	4,204,306	3,732,445	3,927,300	3,140,894
Negotiable instruments of deposit	2,975,604	458,928	3,378,954	357,876
Commercial papers	-	93,847	-	-
Cagamas bonds	72,214	-	72,214	-
	20,964,558	5,607,012	16,986,028	4,091,284
Quoted securities:				
Shares outside Malaysia	1,889	-	1,889	-
Unquoted securities:				
Private and Islamic debt securities	422,489	35,523	341,442	-
Foreign currency bonds	357,911	380,612	357,911	380,612
Total financial assets held-for-trading	21,746,847	6,023,147	17,687,270	4,471,896

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**A9 Financial investments available-for-sale**

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Money market instruments:				
Government treasury bills	375,160	364,156	375,160	344,180
Malaysian Government securities	-	632,968	-	394,444
Malaysian Government investment certificates	1,369,664	1,911,745	731,842	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	11,826	522,051	12,658	-
Islamic negotiable instrument debt securities	-	28,833	-	-
Bankers acceptances	-	44,853	-	-
Other Government securities	120,818	-	-	-
Cagamas bonds	624,625	137,259	471,885	20,375
	<u>2,502,093</u>	<u>3,890,030</u>	<u>1,591,545</u>	<u>1,489,268</u>
Quoted Securities:				
Shares in Malaysia	94,103	110,374	94,103	110,374
Shares outside Malaysia	62,542	53,993	62,542	53,993
Loans stocks quoted in Malaysia	6,420	1,112	530	-
Wholesale fund	999,800	-	999,800	-
Unquoted securities:				
Private debt securities in Malaysia	2,848,788	1,216,104	2,316,113	224,356
Shares in Malaysia	307,517	224,191	307,448	150,401
Shares outside Malaysia	3,468	3,298	3,468	-
Foreign currency bonds in Malaysia	2,228,512	172,603	2,150,222	172,603
Foreign currency bonds outside Malaysia	881,073	335,930	881,073	335,930
Total financial investments available-for-sale	<u>9,934,316</u>	<u>6,007,635</u>	<u>8,406,844</u>	<u>2,536,925</u>

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**A10 Financial investments held-to-maturity**

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Money market instruments:				
Malaysian Government securities	1,867,919	3,577,909	1,867,919	3,577,909
Malaysian Government investment certificates	1,086,401	1,123,311	530,163	903,689
Cagamas bonds	248,101	170,942	206,773	170,942
Negotiable instruments of deposit	20,593	2,677,278	1,016,326	3,194,188
Other Government securities	151,958	14,043	2,578	-
	<u>3,374,972</u>	<u>7,563,483</u>	<u>3,623,759</u>	<u>7,846,728</u>
Unquoted securities in Malaysia:				
Loan stocks	306	268	306	268
Private and Islamic debt securities	195,694	223,661	91,593	75,574
Unquoted bonds	47,226	-	47,226	-
Investment in preference shares	52,000	-	52,000	-
	<u>295,226</u>	<u>223,929</u>	<u>191,125</u>	<u>75,842</u>
Total financial investments held-to-maturity	<u><u>3,670,198</u></u>	<u><u>7,787,412</u></u>	<u><u>3,814,884</u></u>	<u><u>7,922,570</u></u>

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**A11 Loans, advances and financing**

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Overdrafts	4,073,003	4,185,914	3,862,683	2,097,307
Term loans:				
- Housing and shop loans/financing	37,066,670	31,761,748	31,312,244	20,010,166
- Syndicated term loan/financing	5,302,510	4,654,683	4,866,398	2,571,439
- Hire purchase receivables	17,373,330	17,214,483	13,513,532	3,015,843
- Lease receivables	106,391	4,486	-	-
- Other term loans/financing	10,114,562	10,484,564	8,624,704	2,514,792
Credit/charge card receivables	4,233,382	4,262,859	4,233,382	2,497,855
Bills receivables	651,240	354,250	640,523	344,927
Trust receipts	342,745	302,959	333,701	140,659
Claims on customers under acceptance credits	7,251,829	6,621,138	6,870,319	3,919,301
Block discounting	6,582	8,391	6,582	8,391
Revolving credits	3,769,403	3,749,153	3,499,655	2,165,632
Staff loans:				
Directors	-	-	-	-
Staffs other than directors	241,500	283,247	226,439	88,858
Other loans/financing	37,919	133,658	33,097	40,811
Gross loans, advances and financing	<u>90,571,066</u>	<u>84,021,533</u>	<u>78,023,259</u>	<u>39,415,981</u>
Fair value changes arising from fair value hedges	23,852	-	16,722	-
Unamortised fair value changes arising from terminated fair value hedges	21,570	17,177	14,838	14,438
Allowance for impaired loans, advances and financing:				
- Collective assessment allowance	(1,881,419)	(1,790,314)	(1,593,942)	(726,970)
- Individual assessment allowance	(541,978)	(793,060)	(463,710)	(154,627)
Total net loans, advances and financing	<u><u>88,193,091</u></u>	<u><u>81,455,336</u></u>	<u><u>75,997,167</u></u>	<u><u>38,548,822</u></u>



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**A11 Loans, advances and financing** (continued)

A11a By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Domestic non-bank financial institutions	528,174	718,366	405,085	118,720
Domestic business enterprises:				
- small and medium enterprises	12,049,541	12,199,764	11,024,021	3,717,642
- others	19,804,343	15,827,304	17,902,314	9,014,645
Government and statutory bodies	26,256	28,898	20,272	-
Individuals	55,475,122	52,469,045	46,179,091	24,481,830
Other domestic entities	29,549	30,678	26,955	9,816
Foreign entities	2,658,081	2,747,478	2,465,521	2,073,328
Gross loans, advances and financing	<u>90,571,066</u>	<u>84,021,533</u>	<u>78,023,259</u>	<u>39,415,981</u>

A11b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Fixed rate				
- Housing and shop loans/financing	2,997,728	3,467,141	1,688,490	756,353
- Hire purchase receivables	16,843,527	17,158,926	12,998,512	2,963,250
- Other fixed rate loan/financing	7,788,523	7,738,751	6,652,746	3,958,910
Variable rate				
- Base lending rate pegged	51,203,453	43,544,696	45,611,954	26,569,853
- Cost plus	11,482,332	11,597,328	10,829,309	5,055,260
- Other variables rates	255,503	514,691	242,248	112,355
Gross loans, advances and financing	<u>90,571,066</u>	<u>84,021,533</u>	<u>78,023,259</u>	<u>39,415,981</u>

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**A11 Loans, advances and financing** (continued)

A11c By economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Purchase of securities	1,030,125	1,150,988	1,029,928	543,518
Purchase of transport vehicles	17,251,679	17,270,583	13,400,268	3,098,694
Purchase of landed properties				
- residential	30,689,119	27,648,543	25,753,364	16,244,598
- non-residential	9,985,329	9,059,391	9,155,652	5,125,385
Purchase of fixed assets (excluding landed properties)	638,350	668,935	595,691	54,112
Personal use	3,576,501	3,567,683	2,664,505	1,929,546
Credit card	4,233,382	4,262,859	4,233,382	2,497,855
Purchase of consumer durables	103	198	95	70
Construction	924,674	836,005	890,836	299,515
Mergers and acquisition	388,832	-	388,832	-
Working capital	19,907,488	17,831,469	18,194,609	9,525,206
Others	1,945,484	1,724,879	1,716,097	97,482
Gross loans, advances and financing	<u>90,571,066</u>	<u>84,021,533</u>	<u>78,023,259</u>	<u>39,415,981</u>

A11d By geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Malaysia	88,630,215	82,199,217	76,235,196	37,608,008
Singapore	1,767,575	1,807,973	1,767,575	1,807,973
Hong Kong	20,488	-	20,488	-
Vietnam	152,788	14,343	-	-
Gross loans, advances and financing	<u>90,571,066</u>	<u>84,021,533</u>	<u>78,023,259</u>	<u>39,415,981</u>

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**A11 Loans, advances and financing** (continued)

A11e By residual contractual maturity

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Within one year	25,774,287	23,002,022	24,202,531	13,219,190
One year to less than three years	7,140,438	5,753,032	5,904,892	2,420,188
Three years to less than five years	9,388,281	8,732,468	7,814,974	2,688,947
Five years and more	48,268,060	46,534,011	40,100,862	21,087,656
Gross loans, advances and financing	<u>90,571,066</u>	<u>84,021,533</u>	<u>78,023,259</u>	<u>39,415,981</u>

A11f Impaired loans, advances and financing/non-performing loans by economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Purchase of securities	9,941	10,259	9,899	4,737
Purchase of transport vehicles	216,114	185,001	170,994	20,992
Purchase of landed properties				
- residential	342,581	458,242	276,010	181,876
- non-residential	73,388	79,403	66,275	15,846
Purchase of fixed assets (excluding landed properties)	21,667	21,067	21,148	-
Personal use	86,654	93,742	78,392	66,998
Credit card	66,949	58,100	66,949	24,770
Purchase of consumer durables	7	17	7	-
Construction	26,388	31,075	24,627	6,412
Working capital	649,243	932,744	557,166	278,885
Others	39,082	45,751	38,719	284
	<u>1,532,014</u>	<u>1,915,401</u>	<u>1,310,186</u>	<u>600,800</u>

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**A11 Loans, advances and financing** (continued)

A11g Impaired loans, advances and financing/non-performing loans by geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Malaysia	1,489,443	1,870,376	1,267,615	555,775
Singapore	42,571	45,025	42,571	45,025
Vietnam	-	-	-	-
	<u>1,532,014</u>	<u>1,915,401</u>	<u>1,310,186</u>	<u>600,800</u>

A11h Movements in impaired loans, advances and financing/non-performing loans are as follows:

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
As at beginning of the financial period/year				
- As previously reported	1,882,930	930,202	600,800	887,446
- fair value adjustments on completion of business combination accounting	32,471	-	-	-
As restated	<u>1,915,401</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	-	-
Fair value adjustments on completion of business combination accounting	-	32,471	-	-
Vesting of assets and liabilities of Promino	-	-	1,003,131	-
Impaired during the financial period/year	2,078,452	883,652	1,789,034	592,997
Performing during the financial period/ year	(1,081,218)	(493,248)	(893,761)	(321,635)
Amount written back in respect of recoveries	(800,135)	(459,440)	(712,422)	(336,457)
Amount written off	(584,256)	(277,596)	(477,386)	(224,157)
Exchange difference	3,770	5,009	790	2,606
As at end of the financial period/year	<u>1,532,014</u>	<u>1,915,401</u>	<u>1,310,186</u>	<u>600,800</u>
Gross impaired /non-performing loan as a % of gross loans advances and financing	<u>1.7%</u>	<u>2.3%</u>	<u>1.7%</u>	<u>1.5%</u>

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**A11 Loans, advances and financing** (continued)

A11i Movements in allowance for impaired loans, advances and financing are as follows:

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
<u>Collective Assessment Allowance</u>				
As at beginning of the financial year				
- as previously stated	1,575,097	769,545	726,970	684,670
- fair value adjustments on completion of business combination accounting	215,217	-	-	-
As restated	1,790,314	769,545	726,970	684,670
Acquisition of assets and liabilities of ECB	-	742,983	-	-
Fair value adjustments on completion of business combination accounting	-	215,217	-	-
Vesting of assets and liabilities of Promino	-	-	791,101	-
Allowance made during the period/year	794,400	390,984	679,925	292,817
Amount transferred from individual assessment	55,688	-	45,291	-
Disposal of subsidiary	(1,168)	-	-	-
Amount written back in respect of recoveries	(333,095)	(101,190)	(268,977)	(70,874)
Amount written off	(416,370)	(217,424)	(372,992)	(170,822)
Unwinding income	(8,819)	(11,018)	(7,871)	(10,064)
Exchange differences	469	1,217	495	1,243
As at end of the financial period/year	<u>1,881,419</u>	<u>1,790,314</u>	<u>1,593,942</u>	<u>726,970</u>
As a % of gross loans, advances and financing less loans exempted from individual assessment allowance	<u>2.1%</u>	<u>2.2%</u>	<u>2.1%</u>	<u>1.9%</u>
<u>Individual Assessment Allowance</u>				
As at beginning of the financial year				
- as previously stated	666,314	228,018	154,627	226,724
- fair value adjustments on completion of business combination accounting	126,746	-	-	-
As restated	793,060	228,018	154,627	226,724
Acquisition of assets and liabilities of ECB	-	505,525	-	-
Fair value adjustments on completion of business combination accounting	-	126,746	-	-
Vesting of assets and liabilities of Promino	-	-	492,209	-
Allowance made during the period/year	61,155	72,277	52,182	27,370
Amount transferred to collective assessment	(55,688)	-	(45,291)	-
Amount written back in respect of recoveries	(135,754)	(83,129)	(123,518)	(48,159)
Amount written off	(116,873)	(44,200)	(57,582)	(37,891)
Unwinding income	(9,716)	(14,974)	(9,407)	(14,836)
Exchange difference	5,794	2,797	490	1,419
As at end of the financial period/year	<u>541,978</u>	<u>793,060</u>	<u>463,710</u>	<u>154,627</u>

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**A12 Other assets**

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Foreclosed properties	1,338	1,458	1,338	475
Sundry debtors and other prepayments	129,262	679,273	100,258	231,885
Treasury related receivables	220,591	62,352	220,591	62,352
Other receivables	190,402	225,287	102,569	134,114
	<u>541,593</u>	<u>968,370</u>	<u>424,756</u>	<u>428,826</u>

**A13 Deposits from customers**

A13a By type of deposit

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Fixed deposits	74,738,523	68,489,506	64,442,292	38,749,415
Negotiable instruments of deposit	5,828,928	5,584,465	6,437,718	4,535,391
	<u>80,567,451</u>	<u>74,073,971</u>	<u>70,880,010</u>	<u>43,284,806</u>
Demand deposits	14,675,678	14,944,455	12,298,456	8,576,091
Saving deposits	14,815,602	12,515,496	12,733,750	7,665,531
Short term corporate placement	12,641,446	12,916,173	12,641,446	5,991,218
Other	395,466	406,448	386,033	406,448
	<u>123,095,643</u>	<u>114,856,543</u>	<u>108,939,695</u>	<u>65,924,094</u>

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**A13 Deposits from customers (continued)**

A13b By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Government and statutory bodies	3,861,648	5,571,964	2,663,604	998,891
Business enterprises	57,508,742	49,165,910	48,251,587	28,760,256
Individuals	59,427,462	51,478,647	55,981,810	34,896,549
Others	2,297,791	8,640,022	2,042,694	1,268,398
	<u>123,095,643</u>	<u>114,856,543</u>	<u>108,939,695</u>	<u>65,924,094</u>

A13c The maturity structure of fixed deposits and negotiable instruments of deposits are as follows:-

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Due within six months	60,720,326	56,884,400	52,158,890	32,498,154
More than six months to one year	14,405,933	12,967,434	13,307,454	8,022,724
More than one year to five years	5,441,192	4,222,137	5,413,666	2,763,928
	<u>80,567,451</u>	<u>74,073,971</u>	<u>70,880,010</u>	<u>43,284,806</u>

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**A14 Deposits and placements of banks and other financial institution**

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Licensed banks	7,813,440	7,308,864	7,422,996	5,820,144
Licensed investment banks	485,723	152,762	404,343	-
Licensed Islamic banks	1,441,508	581,968	-	-
Bank Negara Malaysia	-	1,897,375	-	-
Other financial institutions	50,025	756,692	50,025	-
	<u>9,790,696</u>	<u>10,697,661</u>	<u>7,877,364</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)	9,790,696	10,697,661	7,877,364	5,820,144
More than one year (medium/long term)	-	-	-	-
	<u>9,790,696</u>	<u>10,697,661</u>	<u>7,877,364</u>	<u>5,820,144</u>

**A15 Other liabilities**

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Zakat	200	66	-	-
Post employment benefits obligation				
- defined contribution plan	3,079	3,102	3,079	3,102
Loan advance payment	1,444,836	1,122,560	1,244,798	1,014,815
Amount due to Cagamas Berhad	179,719	187,217	179,719	-
Amount due to subsidiary companies	-	-	219,443	28,626
Treasury clearing	312	194,688	312	194,687
Cheque clearing	114,253	407,480	91,029	41,548
Treasury related payable	199,745	135,701	199,745	135,701
Sundry creditors & accruals	495,649	336,419	458,182	198,237
Provision for bonus and staff related expenses	124,500	56,384	119,508	54,719
Others	177,395	490,515	148,603	241,063
	<u>2,739,688</u>	<u>2,934,132</u>	<u>2,664,418</u>	<u>1,912,498</u>



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**A16 Senior bonds**

		<u>The Group and The Bank</u>	
		<b>Financial Year Ended 30/06/2012 RM'000</b>	<b>Financial Year Ended 30/06/2011 RM'000</b>
USD 300 million senior bonds, at par	(a)	916,350	916,350
USD 300 million senior bonds, at par	(b)	919,200	-
Foreign exchange translations		69,750	(9,750)
		<u>1,905,300</u>	<u>906,600</u>
Add: Interest payable		16,274	9,822
		<u>1,921,574</u>	<u>916,422</u>
Less: Unamortised discounts		(13,781)	(5,612)
		<u><u>1,907,793</u></u>	<u><u>910,810</u></u>

(a) 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.

(b) On 20 April, 2012, HLB 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 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%.

**A17 Subordinated bonds**

		<u>The Group</u>		<u>The Bank</u>	
		<b>Financial Year Ended 30/06/2012 RM'000</b>	<b>Financial Year Ended 30/06/2011 RM'000</b>	<b>Financial Year Ended 30/06/2012 RM'000</b>	<b>Financial Year Ended 30/06/2011 RM'000</b>
RM700 million Tier 2 subordinated debt, at par	(a)	700,000	700,000	700,000	700,000
Add: Interest payable		13,208	13,115	13,208	13,115
		<u>713,208</u>	<u>713,115</u>	<u>713,208</u>	<u>713,115</u>
Less: Unamortised discounts		(1,603)	(2,792)	(1,603)	(2,792)
		<u>711,605</u>	<u>710,323</u>	<u>711,605</u>	<u>710,323</u>
RM1.0 billion Tier 2 subordinated debt, at par	(b)	1,000,000	1,000,000	1,000,000	1,000,000
Add: Interest payable		6,555	6,793	6,555	6,793
		<u>1,006,555</u>	<u>1,006,793</u>	<u>1,006,555</u>	<u>1,006,793</u>
Less: Unamortised discounts		(2,436)	(3,856)	(2,436)	(3,856)
		<u>1,004,119</u>	<u>1,002,937</u>	<u>1,004,119</u>	<u>1,002,937</u>

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**A17 Subordinated bonds** (continued)

		<u>The Group</u>		<u>The Bank</u>	
		Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Subordinated medium term notes, at par	(c)	1,160,000	1,160,000	1,160,000	-
Add: Interest payable		9,267	8,983	9,267	-
		<u>1,169,267</u>	<u>1,168,983</u>	<u>1,169,267</u>	<u>-</u>
Less: Unamortised discounts		(14,214)	(23,750)	(14,822)	-
Add: Fair value adjustments on completion of business combination accounting		18,000	47,085	18,000	-
		<u>1,173,053</u>	<u>1,192,318</u>	<u>1,172,445</u>	<u>-</u>
RM1.5 billion Tier 2 subordinated debt, at par	(d)	1,500,000	-	1,500,000	-
Add: Interest payable		1,664	-	1,664	-
		<u>1,501,664</u>	<u>-</u>	<u>1,501,664</u>	<u>-</u>
Less: Unamortised discounts		(582)	-	(582)	-
		<u>1,501,082</u>	<u>-</u>	<u>1,501,082</u>	<u>-</u>
		<u>4,389,859</u>	<u>2,905,578</u>	<u>4,389,251</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.

The 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.

(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 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, Promino Sdn Bhd ("Promino") (formerly known as EON Bank Berhad), 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 Promino 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.

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**A17 Subordinated bonds** (continued)

(c) Subsequently, on 2 December 2009, Promino 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 Promino 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.

Subsequently, on 30 December 2010, Promino 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 Promino 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 2 capital for the purpose of determining the capital adequacy ratio of the Group and HLBB.

(d) On 22 June 2012, the Bank had completed the issuance of RM1.5 billion nominal value of Tier 2 Subordinated Notes (“Sub Notes”). The RM1.5 billion Sub Notes will mature in 2024 and are callable on any interest payment date falling on or after the 7th anniversary of the issue date subject to approval of BNM. The Sub Notes which bears interest of 4.50% per annum is payable semi-annually in arrears.

The Sub Notes 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.

**A18 Tier 2 capital cumulative subordinated loan**

	<b>The Group and The Bank</b>	
	<b>Financial</b>	<b>Financial</b>
	<b>Year</b>	<b>Year</b>
	<b>Ended</b>	<b>Ended</b>
	<b>30/06/2012</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
RM2.3 billion Tier 2 capital cumulative subordinated loan	-	2,300,000
Add: Interest payable	-	14,080
	-	2,314,080

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 fully repaid the RM2.3 billion Tier 2 capital cumulative subordinated loan extended by HLFG following the completion of HLB's Rights Issue.

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**A19 Non-innovative Tier 1 stapled securities**

	<u>The Group and The Bank</u>	
	<u>Financial Year Ended 30/06/2012</u>	<u>Financial Year Ended 30/06/2011</u>
	<u>RM'000</u>	<u>RM'000</u>
RM1.4 billion Non-Innovative Tier 1 stapled securities, at par	1,400,000	1,400,000
Add: Interest payable	10,653	11,041
	<u>1,410,653</u>	<u>1,411,041</u>
Less: Unamortised discounts	(3,370)	(5,335)
	<u>1,407,283</u>	<u>1,405,706</u>

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

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

**A20 Innovative Tier 1 capital securities**

	<u>The Group</u>		<u>The Bank</u>	
	<u>Financial Year Ended 30/06/2012</u>	<u>Financial Year Ended 30/06/2011</u>	<u>Financial Year Ended 30/06/2012</u>	<u>Financial Year Ended 30/06/2011</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
RM500 million Innovative Tier 1 capital securities at par	500,000	500,000	500,000	-
Add: Interest payable	12,545	12,658	12,545	-
	<u>512,545</u>	<u>512,658</u>	<u>512,545</u>	<u>-</u>
Less: Unamortised discounts	(9,708)	(9,589)	(11,174)	-
	<u>502,837</u>	<u>503,069</u>	<u>501,371</u>	<u>-</u>
Add: Fair value adjustments on completion of business combination accounting	71,744	92,651	71,744	-
	<u>574,581</u>	<u>595,720</u>	<u>573,115</u>	<u>-</u>

On 10 September 2009, Promino 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 Promino 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 the Bank.

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**A21 Interest income**

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Loan, advances and financing	957,877	775,281	3,933,598	2,122,425
Money at call and deposit placements with financial institutions	132,613	176,021	578,584	527,889
Securities purchased under resale agreements	4,747	264	10,433	2,011
Financial assets held-for-trading	177,198	59,980	508,373	291,669
Financial investments available-for-sale	87,808	28,403	227,118	102,096
Financial investments held-to-maturity	26,630	54,610	181,232	207,618
Others	963	(74)	1,714	1,276
	<u>1,387,836</u>	<u>1,094,485</u>	<u>5,441,052</u>	<u>3,254,984</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>5,116</u>	<u>5,281</u>	<u>17,278</u>	<u>24,900</u>

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Loan, advances and financing	953,572	477,652	3,917,669	1,823,502
Money at call and deposit placements with financial institutions	129,446	140,096	554,477	469,291
Securities purchased under resale agreements	4,747	264	10,433	2,011
Financial assets held-for-trading	177,603	57,920	509,923	289,609
Financial investments available-for-sale	86,352	18,461	236,865	92,154
Financial investments held-to-maturity	36,497	58,882	216,442	228,189
Others	12,113	11,783	48,023	47,773
	<u>1,400,330</u>	<u>765,058</u>	<u>5,493,832</u>	<u>2,952,529</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>5,116</u>	<u>5,281</u>	<u>17,278</u>	<u>24,900</u>

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**A22 Interest expense**

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b><u>Group</u></b>				
Deposits and placements of banks and other financial institutions	43,896	31,454	100,234	76,746
Deposits from customers	543,698	432,194	2,143,368	1,199,199
Short term corporate placements	102,008	42,979	309,173	235,634
Senior bonds	15,175	8,810	42,756	10,108
Tier-2 subordinated bonds	20,612	26,222	109,936	52,628
Tier-2 capital cumulative subordinated loan	-	8,588	28,503	8,588
Non-innovative Tier-1 stapled securites	18,075	11,412	72,858	11,412
Innovative Tier-1 capital securities	7,311	2,630	21,198	2,630
Others	1,629	1,600	11,210	2,113
	<u>752,404</u>	<u>565,889</u>	<u>2,839,236</u>	<u>1,599,058</u>

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b><u>Bank</u></b>				
Deposits and placements of banks and other financial institutions	31,461	20,620	115,861	66,414
Deposits from customers	567,102	303,940	2,224,945	1,120,453
Short term corporate placements	102,008	42,979	309,173	235,634
Senior bonds	15,175	8,810	42,756	10,108
Tier-2 subordinated bonds	30,771	15,874	120,265	42,280
Tier-2 capital cumulative subordinated loan	-	14,080	28,503	14,080
Non-innovative Tier-1 stapled securites	18,075	11,412	72,858	11,412
Innovative Tier-1 capital securities	3,599	-	17,636	-
Others	1,559	299	10,255	812
	<u>769,750</u>	<u>418,014</u>	<u>2,942,252</u>	<u>1,501,193</u>

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**A23 Net income from Islamic Banking business**

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b><u>Group</u></b>				
Income derived from investment of depositors' funds and others	210,276	167,022	861,386	441,012
of which Finance income	205,176	166,451	851,197	438,634
of which other operating income	5,100	571	10,189	2,378
Income derived from investment of shareholders' funds	11,822	12,860	74,119	44,488
of which Finance income	11,899	10,502	61,118	37,422
of which other operating income	(77)	2,358	13,001	7,066
Profit equalisation reserve	2,298	(516)	2,298	2,938
Income attributable to depositors	(109,486)	(96,550)	(490,205)	(261,348)
	114,910	82,816	447,598	227,090

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**A24 Other operating income**

<b>Group</b>	<b>4th Quarter Ended</b>		<b>Cumulative Twelve Months Ended</b>	
	<b>30/06/2012</b>	<b>30/06/2011</b>	<b>30/06/2012</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(a) Fee income:</b>				
Commissions	32,112	22,232	118,645	75,367
Service charges and fees	12,443	14,732	51,697	34,822
Guarantee fees	4,000	3,352	17,696	7,739
Credit card related fees	65,541	67,420	268,867	180,863
Corporate advisory fees	239	1,103	5,494	1,460
Commitment fees	8,682	6,475	33,148	16,322
Fee on loans, advances and financing	24,916	13,511	74,145	52,028
Brokerage	605	5,623	6,745	5,623
Other fee income	8,095	(1,174)	20,080	16,573
	<u>156,633</u>	<u>133,274</u>	<u>596,517</u>	<u>390,797</u>
<b>(b) Gain/(loss) arising from sale of financial assets:</b>				
Net gain from sale of financial assets held-for-trading	8,092	5,213	28,085	27,490
Net gain from sale of derivative financial instruments	3,990	331	83,151	15,112
Net gain from sale of financial investments available-for-sale	29,819	2,317	42,815	10,214
Net gain from redemption of financial investments held-to-maturity	(633)	1,173	1,839	2,109
	<u>41,268</u>	<u>9,034</u>	<u>155,890</u>	<u>54,925</u>
<b>(c) Gross dividend income from:</b>				
Financial investments available-for-sale	7,171	5,943	22,942	23,766



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**A24 Other operating income** (continued)

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2012 RM'000	30/06/2011 RM'000	30/06/2012 RM'000	30/06/2011 RM'000
(d) <u>Net unrealised gain/(loss) on revaluation of:</u>				
- Financial assets held-for-trading	5,720	(3,959)	12,736	(15,763)
- Derivatives financial instruments	(25,260)	23,937	(114,803)	89,526
	<u>(19,540)</u>	<u>19,978</u>	<u>(102,067)</u>	<u>73,763</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>(7,845)</u>	<u>(10,070)</u>	<u>(28,336)</u>	<u>(30,352)</u>
(f) <u>Net unrealised gain/(loss) on fair value changes arising from fair value hedges</u>	<u>(2,678)</u>	<u>8,715</u>	<u>8,774</u>	<u>27,805</u>
(g) <u>Other income:</u>				
Foreign exchange gain	34,065	41,262	163,328	107,140
Rental income	2,359	339	4,301	881
Gain on disposal of property and equipment (net)	140	296	821	448
Others	4,020	9,863	22,109	19,522
	<u>40,584</u>	<u>51,760</u>	<u>190,559</u>	<u>127,991</u>
Total other operating income	<u>215,593</u>	<u>218,634</u>	<u>844,279</u>	<u>668,695</u>

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**A24 Other operating income** (continued)

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b><u>Bank</u></b>				
(a) <u>Fee income:</u>				
Commissions	32,074	19,516	118,295	72,605
Service charges and fees	12,640	8,706	53,600	28,814
Guarantee fees	3,995	1,378	17,648	5,765
Credit card related fees	65,541	37,244	268,867	150,687
Corporate advisory fees	(20)	(141)	1,461	216
Commitment fees	8,689	3,651	33,178	13,498
Fee on loans, advances and financing	24,916	13,511	74,145	52,028
Other fee income	8,086	3,426	20,062	21,195
	<u>155,921</u>	<u>87,291</u>	<u>587,256</u>	<u>344,808</u>
(b) <u>Gain/(loss) arising from sale of financial assets:</u>				
Net gain from sale of financial assets held-for-trading	8,092	4,485	28,057	26,762
Net gain from sale of derivative financial instruments	3,990	331	83,151	15,112
Net gain from sale of financial investments available-for-sale	27,501	(872)	39,500	7,025
Net gain from redemption of financial investments held-to-maturity	(633)	1,173	1,839	2,109
	<u>38,950</u>	<u>5,117</u>	<u>152,547</u>	<u>51,008</u>
(c) <u>Gross dividend income from:</u>				
Subsidiary companies	-	-	46,000	32,000
Associated company	-	57,436	2,379	57,436
Financial investments available-for-sale	7,171	5,650	22,942	23,473
	<u>7,171</u>	<u>63,086</u>	<u>71,321</u>	<u>112,909</u>

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**A24 Other operating income** (continued)

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2012 RM'000	30/06/2011 RM'000	30/06/2012 RM'000	30/06/2011 RM'000
(d) <u>Net unrealised gain/(loss) on revaluation of:</u>				
- Financial assets held-for-trading	5,720	(244)	12,736	(12,048)
- Derivatives financial instruments	(25,260)	23,937	(114,803)	89,526
	<u>(19,540)</u>	<u>23,693</u>	<u>(102,067)</u>	<u>77,478</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>(6,603)</u>	<u>(2,435)</u>	<u>(22,484)</u>	<u>(15,356)</u>
(f) <u>Net unrealised gain/(loss) on fair value changes arising from fair value hedges</u>	<u>(2,678)</u>	<u>3,576</u>	<u>8,774</u>	<u>22,666</u>
(g) <u>Other income:</u>				
Foreign exchange gain	33,374	22,203	152,384	79,306
Rental income	2,633	225	6,048	767
Gain on disposal of property and equipment (net)	140	174	820	326
Others	9,546	6,430	27,600	15,556
	<u>45,693</u>	<u>29,032</u>	<u>186,852</u>	<u>95,955</u>
Total other operating income	<u>218,914</u>	<u>209,360</u>	<u>882,199</u>	<u>689,468</u>

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**A25 Other operating expenses**

<u>Group</u>	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	187,464	190,514	900,046	541,706
- Voluntary separation scheme (VSS) *	(1,978)	-	113,651	-
- Medical expenses	9,596	6,536	28,930	14,736
- Training and convention expenses	7,248	7,843	26,356	15,263
- Staff welfare	6,803	4,956	22,491	13,446
- Others	8,988	6,365	19,139	16,741
<u>Establishment costs</u>				
- Depreciation of property and equipment	29,479	20,472	104,034	60,272
- Amortisation of intangible assets	47,733 <sup>^</sup>	12,898	74,614 <sup>^</sup>	25,762
- Rental	17,441	14,252	71,926	48,628
- Information technology expenses	26,134	31,797	90,488	73,460
- Security services	9,827	7,901	29,463	18,438
- Electricity, water and sewerage	5,719	5,476	23,924	13,584
- Hire of plant and machinery	2,719	2,148	13,511	8,750
- Others	6,071	4,122	23,412	15,233
<u>Marketing expenses</u>				
- Advertisement and publicity	20,552	16,018	37,405	33,644
- Credit card related fees	14,895	15,029	65,051	50,809
- Others	4,059	(264)	14,528	4,428
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,835	2,350	15,005	7,206
- Stationery & printing	4,179	5,108	20,885	13,106
- Professional fees	16,930	19,164	71,637	55,947
- Insurance fees	4,417	3,758	20,431	12,515
- Stamp, postage and courier	6,292	3,547	25,588	13,342
- Credit card fees	16,223	8,663	64,813	30,129
- Travelling and transport expenses	1,914	500	6,889	3,510
- Registration and license fees	1,162	867	5,096	3,510
- Brokerage and comission	1,455	1,244	4,780	4,233
- Others	16,861	110,744 #	30,803	113,138 #
	<u>476,018</u>	<u>502,008</u>	<u>1,924,896</u>	<u>1,211,536</u>

\* Hong Leong Bank Group 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.

# Including merger related cost charge of RM78 million resulted from EON acquisition.

^ Including amortisation of intangible assets i.e. core deposits and customer relationships arising from acquisition of EON.

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**A25 Other operating expenses (continued)**

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RM'000	RM'000	RM'000	RM'000
<b><u>Bank</u></b>				
<b><u>Personnel costs</u></b>				
- Salaries, allowances and bonuses	153,315	104,876	764,098	407,186
- Voluntary separation scheme (VSS) *	676	-	100,217	-
- Medical expenses	6,609	2,957	23,710	10,103
- Training and convention expenses	6,460	3,517	23,874	11,691
- Staff welfare	1,401	1,911	15,120	7,940
- Others	12,454	3,881	19,496	13,043
<b><u>Establishment costs</u></b>				
- Depreciation of property and equipment	28,817	13,704	99,287	51,470
- Amortisation of intangible assets	52,547 <sup>^</sup>	4,835	78,382 <sup>^</sup>	17,251
- Rental	14,636	9,919	61,305	39,769
- Information technology expenses	22,610	18,772	84,217	59,553
- Security services	8,837	4,707	26,270	14,142
- Electricity, water and sewerage	5,290	2,799	21,840	10,402
- Hire of plant and machinery	3,137	2,280	12,992	8,751
- Others	4,508	2,868	10,052	9,983
<b><u>Marketing expenses</u></b>				
- Advertisement and publicity	20,061	5,526	34,834	22,858
- Credit card related fees	14,895	15,029	65,051	50,809
- Others	3,589	2,317	12,516	6,770
<b><u>Administration and general expenses</u></b>				
- Teletransmission expenses	3,626	2,900	14,287	7,590
- Stationery & printing	4,259	2,899	20,262	10,694
- Professional fees	16,530	18,428	69,849	54,077
- Insurance fees	3,496	3,417	18,392	11,245
- Stamp, postage and courier	6,177	3,491	24,443	13,194
- Credit card fees	16,223	8,663	64,813	30,129
- Travelling and transport expenses	1,929	786	5,857	2,777
- Registration and license fees	1,141	832	4,668	3,369
- Brokerage and comission	1,369	1,181	4,445	3,977
- Others	17,494	82,841 <sup>#</sup>	32,088	87,771 <sup>#</sup>
	<u>432,086</u>	<u>325,336</u>	<u>1,712,365</u>	<u>966,544</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.

# Including merger related cost charge of RM78 million resulted from EON acquisition.

<sup>^</sup> Including amortisation of intangible assets i.e. core deposits and customer relationships arising from acquisition of EON.

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**A26 Allowance for impairment losses on loans, advances and financing**

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b><u>Group</u></b>				
Allowance for impairment losses on loans, advances and financing:				
- collective assessment allowance	139,568	116,727	461,305	289,794
- individual assessment allowance	(23,248)	(18,101)	(74,599)	(10,852)
Impaired loans and financing written off	39,425	3,740	45,431	10,576
Impaired loans and financing recovered	(88,917)	(83,570)	(320,957)	(152,244)
	<u>66,828</u>	<u>18,796</u>	<u>111,180</u>	<u>137,274</u>

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b><u>Bank</u></b>				
Allowance for impairment losses on loans, advances and financing:				
- collective assessment allowance	126,218	70,453	410,948	221,943
- individual assessment allowance	(21,864)	(26,185)	(71,336)	(20,789)
Impaired loans and financing written off	32,170	3,582	37,883	9,840
Impaired loans and financing recovered	(78,635)	(49,780)	(300,806)	(115,300)
	<u>57,889</u>	<u>(1,930)</u>	<u>76,689</u>	<u>95,694</u>

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**A27 Capital adequacy**

	<u>The Group</u>		<u>The Bank</u>	
	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
<b><u>Components of Tier-1 and Tier-2 Capital</u></b>				
<b>Tier-1 capital</b>				
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	5,080,264	3,985,874	3,988,722	3,212,562
Other reserves	2,157,549	1,931,653	1,927,506	1,798,885
Non-innovative Tier-1 stapled securities	1,396,630	1,394,665	1,396,630	1,394,665
Innovative Tier-1 capital securities	490,292	490,273	488,826	-
Less: Treasury shares	(714,792)	(671,744)	(714,792)	(671,744)
Less: Deferred tax assets	-	(63,907)	-	(102,281)
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	-
<b>Total Tier-1 capital</b>	<b>11,290,923</b>	<b>7,355,273</b>	<b>10,027,637</b>	<b>7,751,858</b>
<b>Tier-2 capital</b>				
Collective assessment allowance <sup>^</sup>	1,343,193	1,288,699	1,157,646	587,106
Subordinated bonds	4,341,165	2,833,327	4,340,557	1,693,352
Capital cumulative subordinated loan	-	2,300,000	-	2,300,000
<b>Total Tier-2 capital</b>	<b>5,684,358</b>	<b>6,422,026</b>	<b>5,498,203</b>	<b>4,580,458</b>
<b>Total capital</b>	<b>16,975,281</b>	<b>13,777,299</b>	<b>15,525,840</b>	<b>12,332,316</b>
Less: Investment in subsidiary companies	-	-	(2,081,933)	(6,088,873)
Less: Investment in associated company	(1,540,288)	(1,325,707)	(946,505)	(946,505)
Less: Investment in jointly controlled entity	(76,871)	(75,252)	(76,711)	(76,711)
<b>Total capital base</b>	<b>15,358,122</b>	<b>12,376,340</b>	<b>12,420,691</b>	<b>5,220,227</b>
<b><u>Before deducting proposed dividends</u></b>				
Core capital ratio	11.67%	8.47%	11.70%	11.56% *
Risk-weighted capital ratio	15.88%	14.26%	14.50%	11.56% *
<b><u>After deducting proposed dividends</u></b>				
Core capital ratio	11.30%	8.28%	11.28%	11.19% *
Risk-weighted capital ratio	15.50%	14.06%	14.07%	11.19% *

<sup>^</sup> 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.

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**A27 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)
<b>As at 30 June 2012</b>	
<u>Before deducting proposed dividends:</u>	
Core capital ratio	9.77%
Risk-weighted capital ratio	<u>13.52%</u>
<u>After deducting proposed dividends:</u>	
Core capital ratio	9.49%
Risk-weighted capital ratio	<u>13.24%</u>
<b>As at 30 June 2011</b>	
<u>Before deducting proposed dividends:</u>	
Core capital ratio	16.06%
Risk-weighted capital ratio	<u>17.65%</u>
<u>After deducting proposed dividends:</u>	
Core capital ratio	15.41%
Risk-weighted capital ratio	<u>16.99%</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.



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**A27 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 Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Year Ended 30/06/2011 RM'000
Risk-weighted assets for credit risk	88,002,494	79,639,163	77,876,878	39,331,761
Risk-weighted assets for market risk	3,373,196	2,925,259	3,172,907	2,120,012
Risk-weighted assets for operational risk	5,344,452	4,241,563	4,639,177	3,707,107
Total risk-weighted assets	<u>96,720,142</u>	<u>86,805,985</u>	<u>85,688,962</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.

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**A28 Group segmental reporting on revenue, profit and assets**

	Financial quarter ended 30/06/2012					Total RM'000
	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	
<b><u>By business segment</u></b>						
External revenue	600,875	67,965	292,767	4,328	-	965,935
Inter-segment revenue	3,881	177,556	(181,437)	-	-	-
Segment revenue	<u>604,756</u>	<u>245,521</u>	<u>111,330</u>	<u>4,328</u>	<u>-</u>	<u>965,935</u>
Segment profit before taxation	185,325	179,731	68,711	9,728	-	443,495
Share of profit after tax of equity accounted associated company					59,132	59,132
Share of profit after tax of equity accounted jointly controlled entity					818	818
Profit before taxation and zakat						<u>503,445</u>
Taxation and zakat						<u>(108,873)</u>
Profit after taxation						<u><u>394,572</u></u>

	Financial year ended 30/06/2012					Total RM'000
	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	
<b><u>By business segment</u></b>						
External revenue	2,513,350	263,291	1,095,286	21,766	-	3,893,693
Inter-segment revenue	(10,498)	579,711	(569,213)	-	-	-
Segment revenue	<u>2,502,852</u>	<u>843,002</u>	<u>526,073</u>	<u>21,766</u>	<u>-</u>	<u>3,893,693</u>
Segment profit before taxation	965,317	612,127	320,082	(7,207)	-	1,890,319
Share of profit after tax of equity accounted associated company					216,960	216,960
Share of profit after tax of equity accounted jointly controlled entity					1,619	1,619
Profit before taxation and zakat						<u>2,108,898</u>
Taxation and zakat						<u>(460,742)</u>
Profit after taxation						<u><u>1,648,156</u></u>
Segment assets	62,187,799	26,749,266	60,177,108	-	-	149,114,173
Unallocated assets						8,673,089
Total assets						<u><u>157,787,262</u></u>

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**A28 Group segmental reporting on revenue, profit and assets (continued)**

	Corresponding quarter ended 30/06/2011				
	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
<b><u>By business segment</u></b>					
External revenue	577,344	88,673	160,657	3,372	830,046
Inter-segment revenue	(32,709)	84,212	(51,503)	-	-
Segment revenue	<u>544,635</u>	<u>172,885</u>	<u>109,154</u>	<u>3,372</u>	<u>830,046</u>
Segment profit before taxation	113,452	167,020	32,230	(1,366)	311,336
Share of profit after tax of equity accounted associated company				72,332	72,332
Share of profit after tax of equity accounted jointly controlled entity				157	157
Profit before taxation and zakat					<u>383,825</u>
Taxation and zakat					(84,707)
Profit after taxation					<u><u>299,118</u></u>

	Financial year ended 30/06/2011				
	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
<b><u>By business segment</u></b>					
External revenue	1,577,668	94,977	875,694	3,372	2,551,711
Inter-segment revenue	138,317	320,752	(459,069)	-	-
Segment revenue	<u>1,715,985</u>	<u>415,729</u>	<u>416,625</u>	<u>3,372</u>	<u>2,551,711</u>
Segment profit before taxation	663,034	286,565	256,762	(1,366)	1,204,995
Share of profit after tax of equity accounted associated company				210,992	210,992
Share of profit after tax of equity accounted jointly controlled entity				(771)	(771)
Profit before taxation and zakat					<u>1,415,216</u>
Taxation and zakat					(277,770)
Profit after taxation					<u><u>1,137,446</u></u>
Segment assets	55,135,740	24,139,668	55,153,914	490,654	134,919,976
Unallocated assets					<u>10,578,905</u>
Total assets					<u><u>145,498,881</u></u>

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**A29 Property and equipment**

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

**A30(a) Material events subsequent to the end of the reporting period**

There are no materials events subsequent to the end of the financial year ended.

**A30(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.

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

- (i) a conditional sale and purchase agreement with Hong Leong Capital Berhad ("HLCB") for the proposed disposal of the entire equity interest in MIMB Investment Bank Berhad ("MIMB SPA") for an indicative cash consideration of RM157.90 million ("Proposed Disposal of MIMB");
- (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.

The Proposed Disposal of MIMB was completed on 1 June 2012. With effect from 1 June 2012, MIMB had ceased to be a wholly-owned subsidiary of HLB.

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**A31 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 Year Ended 30/06/2012			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
<b>The Group</b>						
Direct credit substitutes	444,051	439,777	399,472	559,290	559,291	548,786
Certain transaction related contingent items	1,410,727	705,363	667,229	1,394,682	697,342	686,108
Short term self liquidating trade related contingencies	1,557,667	311,533	304,601	616,404	123,281	118,414
Forward asset purchases	71,513	71,513	14,303	-	-	-
Underwriting obligations	-	-	-	72,000	-	-
Irrevocable commitments to extend credit:						
- maturity more than one year	12,720,869	6,360,277	5,377,784	12,488,631	2,702,438	2,410,023
- maturity less than one year	17,750,840	3,549,668	2,991,929	17,617,166	4,940,184	4,143,111
Foreign exchange related contracts:						
- less than one year	37,767,414	605,763	260,715	35,896,628	820,583	506,072
- one year to less than five years	1,174,381	140,359	80,086	1,736,341	207,815	115,775
- five years and above	686,519	139,323	86,814	250,376	61,039	30,519
Interest rate related contracts:						
- less than one year	13,416,046	43,810	20,081	12,791,226	36,534	13,876
- one year to less than five years	41,967,670	1,326,970	635,849	35,757,281	1,125,592	489,354
- five years and above	10,741,653	1,069,531	540,557	9,632,500	897,586	447,893
Equity related contracts:						
- less than one year	69,293	4,953	3,283	163,946	11,268	7,889
- one year to less than five years	9,748	780	390	6,600	528	106
Unutilised credit card lines	9,200,627	1,840,125	1,380,420	9,296,768	1,859,353	1,395,772
<b>Total</b>	<b>148,989,018</b>	<b>16,609,745</b>	<b>12,763,513</b>	<b>138,279,839</b>	<b>14,042,834</b>	<b>10,913,698</b>

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**A31 Commitments and contingencies (continued)**

	Financial Year Ended 30/06/2012			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
<b>The Bank</b>						
Direct credit substitutes	435,503	435,503	395,198	195,694	195,695	185,190
Certain transaction related contingent items	1,336,034	668,017	629,882	268,190	134,095	122,861
Short term self liquidating trade related contingencies	1,534,557	306,911	299,979	469,521	93,904	89,038
Forward asset purchases	71,513	71,513	14,303	-	-	-
Irrevocable commitments to extend credit:						
- maturity more than one year	9,341,832	4,670,916	3,933,182	5,109,037	-	-
- maturity less than one year	16,631,310	3,326,262	2,783,647	9,707,861	2,963,380	2,344,882
Foreign exchange related contracts:						
- less than one year	37,673,453	605,763	260,715	33,894,516	792,569	497,029
- one year to less than five years	4,795,712	430,557	370,284	5,360,137	569,576	479,296
- five years and above	686,519	139,323	86,814	250,376	61,039	30,519
Interest rate related contracts:						
- less than one year	13,376,046	43,710	20,031	11,566,226	33,774	13,324
- one year to less than five years	41,367,670	1,310,270	627,502	32,737,281	973,091	475,861
- five years and above	10,241,653	1,040,531	526,057	9,582,500	894,586	447,293
Equity related contracts:						
- less than one year	69,293	4,953	3,283	163,946	11,268	7,889
- one year to less than five years	9,748	780	390	6,600	528	106
Unutilised credit card lines	9,200,627	1,840,125	1,380,420	6,600,684	1,320,137	991,360
<b>Total</b>	<b>146,771,470</b>	<b>14,895,134</b>	<b>11,331,687</b>	<b>115,912,569</b>	<b>8,043,642</b>	<b>5,684,648</b>

**A32 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.

**a) Connected Parties (CP) Exposures as at 30 June 2012**

	The Group RM'000	The Bank RM'000
Aggregate Value of Outstanding Credit Exposures with Connected Parties	5,798,998	5,777,241
Outstanding Credit Exposures to Connected Parties as a Proportion of Total Credit Exposures (%)	5.4%	6.2%
Outstanding Credit Exposures with Connected Parties Which is Non-Performing or in Default as a Proportion of Total Credit Exposures (%)	0.001%	0.001%

The connected parties exposure are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

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**A33 Prior year adjustments**

During the financial year, the Group finalised the fair value exercise and purchase price allocation in respect of the acquisition of the assets and liabilities of ECB as allowed by FRS 3. The impact of the above exercise is set out as below:-

	<b>Group</b>		
	<b>As at 30 June 2011</b>		
	<b>As previously reported RM'000</b>	<b>FRS 3 Adjustment RM'000</b>	<b>As restated RM'000</b>
<b>As at 30 June 2011</b>			
<b>Statement of financial position</b>			
Financial investments available-for-sale	5,954,139	53,496	6,007,635
Financial investments held-to-maturity	7,820,548	(33,136)	7,787,412
Loans, advances and financing	81,950,757	(495,421)	81,455,336
Other assets	951,929	16,441	968,370
Property and equipment	646,605	50,661	697,266
Goodwill	1,360,174	471,138	1,831,312
Deferred tax assets	325,935	(262,028)	63,907
Intangible assets	106,365	273,057	379,422
Other liabilities	2,865,019	69,113	2,934,132
Tier 2 Subordinated bonds	2,858,493	47,085	2,905,578
Innovative Tier 1 capital securities	503,069	92,651	595,720
Taxation	197,343	(137,159)	60,184
Total assets	145,424,673	74,208	145,498,881
Total liabilities	137,959,426	71,690	138,031,116
Total equity	7,465,247	2,518	7,467,765
Total equity and liabilities	145,424,673	74,208	145,498,881
<b>Statement of changes in equity</b>			
Retained profits	3,983,356	2,518	3,985,874
<b>Statement of income</b>			
Interest expense	(1,608,312)	9,254	(1,599,058)
of which:			
Tier 2 Subordinated bonds	(52,628)	5,492	(47,136)
Innovative Tier 1 capital	(6,392)	3,762	(2,630)
Overhead expenses	(1,205,638)	(5,898)	(1,211,536)
of which:			
Establishment costs			
Depreciation of property, plant and Equipment	(60,127)	(145)	(60,272)
Amortisation of intangible assets	(20,009)	(5,753)	(25,762)
Taxation and Zakat	(276,932)	(838)	(277,770)
of which:			
Malaysia income tax			
- Current year	(271,968)	(2,313)	(274,281)
Transfer to deferred tax			
- Current year	3,171	1,475	4,646

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**Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad**

**B1 Review of performance**

**Current Quarter vs. Previous Year Corresponding Quarter**

The Group recorded a pre-tax profit of RM503.4 million for the current financial quarter ended 30 June 2012, an increase of RM119.6 million or 31.2% 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 RM135.9 million, write-back of impairment losses of RM18.3 million and lower other operating expenses of RM26.0 million. This was offset by higher allowance for impaired loans of RM48.0 million and lower share of profit from Bank of Chengdu of RM13.2 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 RM185.3 million for the 4th quarter ended June 2012 as compared to previous corresponding quarter of RM113.5 million.

Group Consumer Banking's loan base has grew from RM59.7 billion in June 2011 to RM63.0 billion in June 2012. The 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 RM179.7 million for the 4th quarter ended June 2012 as compared to previous corresponding quarter of RM167.0 million.

The improvement are mainly contributed by higher loan and deposit base in the current period ended June 2012. Group Business Banking's loan base increased from RM24.3 billion in June 2011 to RM 27.6 billion. As a result, total income increased from RM171.5 million to RM245.5 million. Deposit base has also registered a growth from RM29.3 billion in June 2011 to RM35.4 billion June 2012. Furthermore, the increase in pre-tax profit is also contributed by the write-back of impairment losses.



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**B1 Review of performance (continued)**

Global Markets

The Global Market's segment recorded a pre-tax profit of RM68.7 million for the 4th quarter ended June 2012 as compared to previous corresponding quarter of RM32.2 million.

Treasury assets has grown from RM54.4 billion in June 2011 to RM58.9 billion in June 2012. 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 has thereafter become the wholly-owned subsidiary of HLB and its results were consolidated into HLB Group. For the 4th quarter ended June 2012, MIMB posted a pre-tax loss of RM85.8 million resulted mainly from the goodwill that was written off from its books pending the disposal to Hong Leong Capital Berhad ("HLCB"). The disposal of MIMB has been completed on 1 June 2012. With effect from 1 June 2012, MIMB had ceased to be a wholly-owned subsidiary of HLB.

**Current Year-to-date vs. Previous Year-to-date**

The Group pre-tax profit for the twelve months ended 30 June 2012 stood at RM2,108.9 million, an increase of RM693.7 million or 49.0% as compared to RM1,415.2 million in the previous corresponding period. The increase was due to higher net income by RM1,342.0 million, lower allowance for impaired loans of RM26.1 million, write back of impairment losses by RM30.6 million and higher share of profit from Bank of Chengdu and joint venture totalling RM8.4 million. This is however mitigated by higher other operating expenses of RM713.4 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 RM965.3 million for the financial period ended June 2012 compared to previous year corresponding period of RM663.0 million. Besides the increase in loan base, OPR hike of 25bps in May 2011 also contributed to the higher revenue.

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**B1 Review of performance** (continued)

Group Business Banking

The Group Business Banking's segment recorded a pre-tax profit of RM612.1 million for the financial period ended June 2012 compared to previous year corresponding period of RM286.6 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 RM320.1 million for the financial period ended June 2012 compared to previous year corresponding period of RM256.8 million. The growth in the treasury assets has contributed a higher net interest income in the current period. However, the higher net interest income was partially offset by the MTM loss suffered in the interest rate derivatives.

Investment Banking Division

For the financial period ended June 2012, MIMB posted a loss before tax of RM7.2 million. The loss was mainly caused by RM7.1 million merger costs incurred on VSS for staff.

**B2 Current Quarter vs. Preceding Quarter**

For the current financial quarter, the Group recorded a pre-tax profit of RM503.4 million as compared to RM598.5 million in the preceding quarter, a decrease of RM95.0 million mainly from lower net income of RM41.7 million, higher allowance for impaired loans of RM42.4 million, higher other operating expenses of RM27.5 million coupled with lower share of profit from Bank of Chengdu of RM1.9 million. This is however offset by higher write back of impairment losses of RM18.4 million.

**B3 Prospects for the new financial year 2012/2013**

The Group continues growing, strengthening and embedding our presence in the region. We will expand our network and distribution footprint to deliver value added branch banking and online banking services to customers and businesses. With the completion of the intergration of systems, processes and policies into a single platform, we continue to realise merger synergies and transform to meet the needs of our customers in pursuit of prime value creation, scale efficiencies and product innovation.

**B4 Variance in profit forecast and shortfall in profit guarantee**

This note is not applicable to the Group.

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**B5 Taxation**

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RM'000	RM'000	RM'000	RM'000
<b>The Group</b>				
Malaysian income tax	(41,817)	75,174	307,717	282,345
Oversea tax	-	-	-	-
	<u>(41,817)</u>	<u>75,174</u>	<u>307,717</u>	<u>282,345</u>
Transfer from/(to) deferred taxation	150,524	9,510	152,803	(4,646)
	<u>108,707</u>	<u>84,684</u>	<u>460,520</u>	<u>277,699</u>

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RM'000	RM'000	RM'000	RM'000
<b>The Bank</b>				
Malaysian income tax	(16,251)	66,357	319,546	281,183
Oversea tax	-	-	-	-
	<u>(16,251)</u>	<u>66,357</u>	<u>319,546</u>	<u>281,183</u>
Transfer from/(to) deferred taxation	117,557	1,776	107,162	(10,110)
	<u>101,306</u>	<u>68,133</u>	<u>426,708</u>	<u>271,073</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.

**B6 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.

**B7 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.

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**B8 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 announced that it had placed the following dormant 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

On 26 June 2012, HLB announced that the liquidator of CFB Nominees (Tempatan) Sdn Bhd and Oriental Nominees (Tempatan) Sdn Bhd ("Subsidiaries") had convened final meetings for the respective Subsidiaries to conclude the member's voluntary winding-up of the respective Subsidiaries.

The Return by Liquidator Relating To Final Meeting of the respective Subsidiaries was lodged on 26 June 2012 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, the Subsidiaries will be dissolved.

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

- (i) a conditional sale and purchase agreement with Hong Leong Capital Berhad ("HLCB") for the proposed disposal of the entire equity interest in MIMB Investment Bank Berhad ("MIMB SPA") for an indicative cash consideration of RM157.90 million ("Proposed Disposal of MIMB");
- (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.

The Proposed Disposal of MIMB was completed on 1 June 2012. With effect from 1 June 2012, MIMB had ceased to be a wholly-owned subsidiary of HLB.

Following from the certification by the Auditors of the Completion Net Tangible Assets ("NTA"), the final consideration in respect of the acquisition of MIMB has been determined at RM139.29 million. On 14 August 2012, HLB had paid the sum of RM18.61 million to HLCB, being the differential amount between the final consideration and the indicative consideration of RM157.90 million.

(c) On 26 July 2012, HLB proposed to establish a new executive share option scheme ("ESOS") of up to 10% of the issued and paid-up share capital of HLB (excluding treasury shares)("Proposed New ESOS").

The Proposed New ESOS is subject to the following:

- (i) approval-in-principle of Bursa Malaysia Securities Berhad for the listing of and quotation for the new HLB shares to be issued pursuant to the exercise of the options under the Proposed New ESOS; and
- (ii) approval of the shareholders of HLB.

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**B9 Off-balance sheet financial instruments**

Details of financial instruments with off-balance sheet risk as at 30 June 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	26,166,755	121,473	(190,163)
(ii) 1 year to 3 years	27,944	-	(408)
(iii) More than 3 years	-	-	-
Swaps			
(i) Less than 1 year	7,643,081	101,796	(51,221)
(ii) 1 year to 3 years	387,551	3,438	(8,519)
(iii) More than 3 years	1,220,814	40,122	(46,653)
Options			
(i) Less than 1 year	3,957,578	21,620	(22,096)
(ii) 1 year to 3 years	224,591	4,746	(4,746)
(iii) More than 3 years	-	-	-
Interest rate related contracts			
Futures			
(i) Less than 1 year	3,774,009	30	(952)
(ii) 1 year to 3 years	330,000	-	(486)
(iii) More than 3 years	50,000	111	-
Swaps			
(i) Less than 1 year	9,644,236	26,188	(25,159)
(ii) 1 year to 3 years	22,748,629	124,236	(165,247)
(iii) More than 3 years	29,578,495	510,794	(552,781)
Equity related contracts			
(i) Less than 1 year	69,293	796	(796)
(ii) 1 year to 3 years	9,748	-	-
(iii) More than 3 years	-	-	-
<b>Total</b>	<b>105,832,724</b>	<b>955,350</b>	<b>(1,069,227)</b>

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**B9 Off-balance sheet financial instruments (continued)**

Details of financial instruments with off-balance sheet risk as at 30 June 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	26,157,263	121,384	(190,163)
(ii) 1 year to 3 years	27,944	-	(408)
(iii) More than 3 years	-	-	-
Swaps			
(i) Less than 1 year	7,558,612	101,299	(51,218)
(ii) 1 year to 3 years	4,008,882	76,356	(81,437)
(iii) More than 3 years	1,220,814	40,122	(46,653)
Options			
(i) Less than 1 year	3,957,578	21,620	(22,096)
(ii) 1 year to 3 years	224,591	4,746	(4,746)
(iii) More than 3 years	-	-	-
Interest rate related contracts			
Futures			
(i) Less than 1 year	3,774,009	30	(952)
(ii) 1 year to 3 years	330,000	-	(486)
(iii) More than 3 years	50,000	111	-
Swaps			
(i) Less than 1 year	9,604,236	26,188	(24,965)
(ii) 1 year to 3 years	22,548,629	124,236	(162,670)
(iii) More than 3 years	28,678,495	510,794	(539,166)
Equity related contracts			
(i) Less than 1 year	69,293	796	(796)
(ii) 1 year to 3 years	9,748	-	-
(iii) More than 3 years	-	-	-
<b>Total</b>	<b>108,220,094</b>	<b>1,027,682</b>	<b>(1,125,756)</b>

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**B9 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 RM681,275,001(FYE June 2011: RM607,463,001) and RM57,680,193,113 (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 year, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM987,969,092 (FYE June 2011: RM760,163,989 ). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Derivatives

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

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

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

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

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**B9 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.



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**B10 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.

**B11 Dividend**

A final dividend of 27.0 sen per share less income tax of 25% has been proposed for the current quarter.

- (i) Amount per share: 27.0 sen (less 25% taxation).
- (ii) Previous corresponding quarter: 15.0 sen per share (less 25% taxation).
- (iii) Entitlement date: To be announced later.
- (iv) Payment date: To be announced later.

**B12 Realised and Unrealised Profits**

	<b>The Group</b>	
	<b>Financial Year Ended 30/06/2012 RM'000</b>	<b>Financial Year Ended 30/06/2011 RM'000</b>
Total retained profits of Hong Leong Bank Berhad and it's subsidiaries		
- Realised	3,323,072	2,609,976
- Unrealised	1,031,292	993,792
	4,354,364	3,603,768
Total share of retained profits from associated company		
- Realised	670,989	454,029
Total share of retained profits /(accumulated losses) from jointly controlled entity		
- Realised	160	(1,459)
	5,025,513	4,056,338
Less Consolidation Adjustment	54,751	(70,464)
Total Group's Retained Profit	5,080,264	3,985,874

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.

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**B13 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.

	<b>4th Quarter Ended</b>		<b>Cumulative Twelve Months Ended</b>	
	<b>30/06/2012</b>	<b>30/06/2011</b>	<b>30/06/2012</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>The Group</u></b>				
Net profit attributable to shareholders of the company	394,572	299,118	1,648,156	1,137,446
Weighted average number of ordinary shares in issue ('000)	1,790,623	1,580,107	1,790,623	1,580,107
Less: Treasury shares held	(129,602)	(127,376)	(129,602)	(127,376)
	<u>1,661,021</u>	<u>1,452,731</u>	<u>1,661,021</u>	<u>1,452,731</u>
<b>Basic earnings per share (sen)</b>	23.8	20.6	99.2	78.3
<b><u>The Bank</u></b>				
Net profit attributable to shareholders of the company	278,619	164,865	1,247,280	807,493
Weighted average number of ordinary shares in issue ('000)	1,790,623	1,580,107	1,790,623	1,580,107
Less: Treasury shares held	(129,602)	(127,376)	(129,602)	(127,376)
	<u>1,661,021</u>	<u>1,452,731</u>	<u>1,661,021</u>	<u>1,452,731</u>
<b>Basic earnings per share (sen)</b>	16.8	11.3	75.1	55.6

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**B13 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.

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2012 RM'000	30/06/2011 RM'000	30/06/2012 RM'000	30/06/2011 RM'000
<b><u>The Group</u></b>				
Net profit attributable to shareholders of the company	394,572	299,118	1,648,156	1,137,446
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,661,021	1,452,731	1,661,021	1,452,731
- adjustment for ESOS	5,994	8,593	5,994	8,593
	1,667,015	1,461,324	1,667,015	1,461,324
<b>Fully diluted earnings per share (sen)</b>	23.7	20.5	98.9	77.8
<b><u>The Bank</u></b>				
Net profit attributable to shareholders of the company	278,619	164,865	1,247,280	807,493
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,661,021	1,452,731	1,661,021	1,452,731
- adjustment for ESOS	5,994	8,593	5,994	8,593
	1,667,015	1,461,324	1,667,015	1,461,324
<b>Fully diluted earnings per share (sen)</b>	16.7	11.3	74.8	55.3