

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

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

	Note	The Group			The Bank		
		As at	Restated	Restated	As at	Restated	Restated
		30/09/2012	As at	As at	30/09/2012	As at	As at
		30/06/2012	01/07/2011	30/09/2012	30/06/2012	01/07/2011	
		RM'000	RM'000	RM'000	RM'000	RM'000	
<b>ASSETS</b>							
Cash and short-term funds		14,775,156	19,636,026	30,476,610	12,931,000	18,410,084	25,563,128
Deposits and placements with financial institutions		3,224,177	4,565,819	5,415,383	3,193,075	4,414,150	6,826,115
Securities purchased under resale agreements		506,031	590,521	86	506,031	590,521	86
Financial assets held for trading	A8	21,372,234	21,818,413	6,090,870	19,281,179	17,758,836	4,919,332
Financial investments available-for-sale	A9	12,647,527	9,862,750	5,939,912	10,919,622	8,335,278	4,654,588
Financial investments held-to-maturity	A10	3,945,215	3,670,198	7,787,412	3,794,195	3,814,884	8,039,739
Loans, advances and financing	A11	89,832,232	88,572,895	81,709,161	77,457,826	76,402,911	70,888,013
Other assets	A12	416,623	541,593	968,370	301,929	424,756	4,731,726
Derivative financial instruments		926,164	955,350	790,162	999,964	1,027,682	828,023
Amount due from subsidiaries		-	-	-	615,857	615,390	615,390
Statutory deposits with Bank Negara Malaysia		3,373,167	3,331,437	2,201,874	2,902,000	2,880,250	1,848,847
Investment in subsidiary companies		-	-	-	2,078,061	2,081,933	2,035,676
Investment in associated company		1,549,962	1,540,288	1,325,707	946,505	946,505	946,505
Investment in jointly controlled entity		77,617	76,871	75,252	76,711	76,711	76,711
Property and equipment		737,094	727,096	697,266	711,380	701,018	618,841
Intangible assets		424,115	446,497	379,422	416,094	437,850	427,661
Goodwill		1,831,312	1,831,312	1,831,312	1,771,547	1,771,547	1,771,547
<b>Total Assets</b>		<b>155,638,626</b>	<b>158,167,066</b>	<b>145,688,799</b>	<b>138,902,976</b>	<b>140,690,306</b>	<b>134,791,928</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>							
Deposits from customers	A13	123,456,428	123,095,643	114,856,543	109,180,188	108,939,695	101,170,232
Deposits and placements of banks and other financial institutions	A14	6,212,109	9,790,696	10,697,661	5,371,789	7,877,364	10,796,946
Obligations on securities sold under repurchase agreements		548,195	633,797	-	548,195	633,797	-
Bills and acceptances payable		553,409	486,091	683,996	506,618	434,780	626,935
Other liabilities	A15	3,038,659	2,739,688	2,934,132	2,813,787	2,664,418	6,336,950
Derivative financial instruments		948,642	1,069,227	666,706	1,012,447	1,125,756	705,061
Senior bonds	A16	1,837,605	1,907,793	910,810	1,837,605	1,907,793	910,810
Tier 2 subordinated bonds	A17	4,407,069	4,389,859	2,905,578	4,408,212	4,389,251	2,910,233
Tier 2 capital cumulative subordinated loan		-	-	2,314,080	-	-	2,314,080
Non-innovative Tier 1 stapled securities	A18	1,425,524	1,407,283	1,405,706	1,425,524	1,407,283	1,405,706
Innovative Tier 1 capital securities	A19	559,591	574,581	595,720	558,447	573,115	597,816
Provision for taxation		303,414	227,716	56,960	256,323	191,136	158,716
Deferred tax liabilities		143,658	140,533	2,773	142,358	143,101	63,995
<b>Total Liabilities</b>		<b>143,434,303</b>	<b>146,462,907</b>	<b>138,030,665</b>	<b>128,061,493</b>	<b>130,287,489</b>	<b>127,997,480</b>
Share Capital		1,879,909	1,879,909	1,580,107	1,879,909	1,879,909	1,580,107
Reserves		11,018,459	10,539,042	6,749,771	9,655,619	9,237,700	5,886,085
Less: Treasury Shares		(694,045)	(714,792)	(671,744)	(694,045)	(714,792)	(671,744)
<b>Total Shareholders' Equity</b>		<b>12,204,323</b>	<b>11,704,159</b>	<b>7,658,134</b>	<b>10,841,483</b>	<b>10,402,817</b>	<b>6,794,448</b>
<b>Total Liabilities and Equity</b>		<b>155,638,626</b>	<b>158,167,066</b>	<b>145,688,799</b>	<b>138,902,976</b>	<b>140,690,306</b>	<b>134,791,928</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	A30	<b>144,107,603</b>	<b>148,989,018</b>	<b>138,279,839</b>	<b>141,496,396</b>	<b>146,771,470</b>	<b>140,295,537</b>
Net asset per share attributable to ordinary equity holders of the parent (RM) *		6.96	6.68	5.27	6.18	5.94	4.67

\* 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

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2012.

**HONG LEONG BANK BERHAD**  
**(97141-X)**  
**(Incorporated in Malaysia)**  
**Condensed Financial Statements**  
**Unaudited Income Statements**  
**For The Financial Quarter Ended 30 September 2012**

	Note	The Group			
		Current Quarter Ended 30/09/2012 RM'000	Restated Corresponding Quarter Ended 30/09/2011 RM'000	Current Period Ended 30/09/2012 RM'000	Restated Corresponding Period Ended 30/09/2011 RM'000
Interest income	A20	1,378,433	1,328,627	1,378,433	1,328,627
Interest expense	A21	(754,484)	(684,370)	(754,484)	(684,370)
Net interest income		623,949	644,257	623,949	644,257
Net income from Islamic Banking business	A22	111,841	96,034	111,841	96,034
Other operating income	A23	266,738	165,147	266,738	165,147
Net Income		1,002,528	905,438	1,002,528	905,438
Other operating expenses	A24	(442,853)	(445,689)	(442,853)	(445,689)
Operating profit before allowances		559,675	459,749	559,675	459,749
Allowance for impairment losses on loans, advances and financing	A25	14,721	(11,815)	14,721	(11,815)
Write back of impairment losses		1,309	3,805	1,309	3,805
		575,705	451,739	575,705	451,739
Share of profit after tax of equity accounted associated company		61,018	61,841	61,018	61,841
Share of profit after tax of equity accounted jointly controlled entity		746	168	746	168
Profit before taxation (and zakat)		637,469	513,748	637,469	513,748
Taxation		(159,785)	(114,185)	(159,785)	(114,185)
Zakat		(50)	(23)	(50)	(23)
Net profit for the period		477,634	399,540	477,634	399,540
<b>Attributable to:</b>					
Owners of the parent		477,634	399,540	477,634	399,540
Net profit for the period		477,634	399,540	477,634	399,540
Earnings per share - basic (sen)	B13	27.3	27.5	27.3	27.5
Earnings per share - fully diluted (sen)	B13	27.2	27.3	27.2	27.3

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

	<b>The Group</b>			
	<b>Current Quarter Ended 30/09/2012 RM'000</b>	<b>Restated Corresponding Quarter Ended 30/09/2011 RM'000</b>	<b>Current Period Ended 30/09/2012 RM'000</b>	<b>Restated Corresponding Period Ended 30/09/2011 RM'000</b>
Net profit for the financial period	<u>477,634</u>	<u>399,540</u>	<u>477,634</u>	<u>399,540</u>
Other comprehensive income/(loss):				
Share of other comprehensive income of associate company and jointly controlled entity	(22)	(24)	(22)	(24)
Currency translation difference	(6,858)	8,454	(6,858)	8,454
Net fair value changes on financial investments available-for-sale	10,311	(16,417)	10,311	(16,417)
Income tax relating to components of other comprehensive (loss)/income	<u>(2,578)</u>	<u>4,104</u>	<u>(2,578)</u>	<u>4,104</u>
Other comprehensive income/(loss) for the financial period	<u>853</u>	<u>(3,883)</u>	<u>853</u>	<u>(3,883)</u>
Total comprehensive income for the financial period, net of tax	<u><u>478,487</u></u>	<u><u>395,657</u></u>	<u><u>478,487</u></u>	<u><u>395,657</u></u>
Attributable to:				
- Owners of the parent	<u><u>478,487</u></u>	<u><u>395,657</u></u>	<u><u>478,487</u></u>	<u><u>395,657</u></u>

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

	Note	<b>The Bank</b>			
		<b>Current Quarter Ended 30/09/2012 RM'000</b>	<b>Restated Corresponding Quarter Ended 30/09/2011 RM'000</b>	<b>Current Period Ended 30/09/2012 RM'000</b>	<b>Restated Corresponding Period Ended 30/09/2011 RM'000</b>
Interest income	A20	1,395,191	1,336,731	1,395,191	1,336,731
Interest expense	A21	(783,601)	(708,810)	(783,601)	(708,810)
Net interest income		611,590	627,921	611,590	627,921
Other operating income	A23	318,803	162,308	318,803	162,308
Net Income		930,393	790,229	930,393	790,229
Other operating expenses	A24	(391,529)	(392,719)	(391,529)	(392,719)
Operating profit before allowances		538,864	397,510	538,864	397,510
Allowance for impairment losses on loans, advances and financing	A25	(6,968)	(26,072)	(6,968)	(26,072)
Write back of impairment losses		1,309	1,314	1,309	1,314
Profit before taxation		533,205	372,752	533,205	372,752
Taxation		(136,140)	(93,903)	(136,140)	(93,903)
Profit after taxation		397,065	278,849	397,065	278,849
Profit attributable to shareholders		397,065	278,849	397,065	278,849
Earnings per share - basic (sen)	B13	22.7	19.2	22.7	19.2
Earnings per share - fully diluted (sen)	B13	22.6	19.0	22.6	19.0

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

	<b>The Bank</b>			
	<b>Current Quarter Ended 30/09/2012 RM'000</b>	<b>Restated Corresponding Quarter Ended 30/09/2011 RM'000</b>	<b>Current Period Ended 30/09/2012 RM'000</b>	<b>Restated Corresponding Period Ended 30/09/2011 RM'000</b>
Net profit for the financial period	<u>397,065</u>	<u>278,849</u>	<u>397,065</u>	<u>278,849</u>
Other comprehensive income/(loss):				
Currency translation difference	11,161	(11,038)	11,161	(11,038)
Net fair value changes on financial investments available-for-sale	11,684	(18,191)	11,684	(18,191)
Income tax relating to components of other comprehensive income	<u>(2,921)</u>	<u>4,548</u>	<u>(2,921)</u>	<u>4,548</u>
Other comprehensive gain/(loss) for the financial period	<u>19,924</u>	<u>(24,681)</u>	<u>19,924</u>	<u>(24,681)</u>
Total comprehensive income for the financial period, net of tax	<u><u>416,989</u></u>	<u><u>254,168</u></u>	<u><u>416,989</u></u>	<u><u>254,168</u></u>

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**HONG LEONG BANK BERHAD**  
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**Condensed Financial Statements**  
**Unaudited Statement of Changes in Equity For The Financial Period Ended 30 September 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 2012</b>	1,879,909	2,832,383	2,149,801	183,998	22,483	6,045	(20,780)	5,080,264	(714,792)	11,419,311
- Prior year adjustments	-	-	-	8,872	-	-	-	275,976	-	284,848
<b>Balance as at 1 July 2012, as restated</b>	<b>1,879,909</b>	<b>2,832,383</b>	<b>2,149,801</b>	<b>192,870</b>	<b>22,483</b>	<b>6,045</b>	<b>(20,780)</b>	<b>5,356,240</b>	<b>(714,792)</b>	<b>11,704,159</b>
<u>Comprehensive income</u>										
Net profit for the period/year	-	-	-	-	-	-	-	477,634	-	477,634
- Share of other comprehensive income of associates	-	-	-	(22)	-	-	-	-	-	(22)
- Net fair value changes in financial investments available-for-sale	-	-	-	7,733	-	-	-	-	-	7,733
- Currency translation difference	-	-	-	-	-	-	(6,858)	-	-	(6,858)
Total comprehensive income/(loss)	-	-	-	7,711	-	-	(6,858)	477,634	-	478,487
<u>Transactions with owners</u>										
Transfer to statutory reserve/regulatory reserve	-	-	32,598	-	-	-	-	(32,598)	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	(13)	(13)
ESOS exercised	-	-	-	-	(2,536)	-	-	2,631	20,760	20,855
Option charge arising from ESOS granted	-	-	-	-	835	-	-	-	-	835
Total transactions with owners	-	-	32,598	-	(1,701)	-	-	(29,967)	20,747	21,677
<b>Closing Balance @ 30 September 2012</b>	<b>1,879,909</b>	<b>2,832,383</b>	<b>2,182,399</b>	<b>200,581</b>	<b>20,782</b>	<b>6,045</b>	<b>(27,638)</b>	<b>5,803,907</b>	<b>(694,045)</b>	<b>12,204,323</b>
<b>Balance as at 1 July 2011</b>	1,580,107	539,664	1,936,654	102,211	21,121	726	(26,848)	3,985,874	(671,744)	7,467,765
- Prior year adjustments	-	-	-	9,832	-	-	-	180,537	-	190,369
<b>Balance as at 1 July 2011, as restated</b>	<b>1,580,107</b>	<b>539,664</b>	<b>1,936,654</b>	<b>112,043</b>	<b>21,121</b>	<b>726</b>	<b>(26,848)</b>	<b>4,166,411</b>	<b>(671,744)</b>	<b>7,658,134</b>
<u>Comprehensive income</u>										
Net profit for the period	-	-	-	-	-	-	-	399,540	-	399,540
- Share of other comprehensive income of associates	-	-	-	(24)	-	-	-	-	-	(24)
- Net fair value changes in financial investments available-for-sale	-	-	-	(12,313)	-	-	-	-	-	(12,313)
- Currency translation difference	-	-	-	-	-	-	8,454	-	-	8,454
Total comprehensive income/(loss)	-	-	-	(12,337)	-	-	8,454	399,540	-	395,657
<u>Transactions with owners</u>										
Transfer to statutory reserve/regulatory reserve	-	-	(1,254,376)	-	-	28	-	1,254,376	-	28
Purchase of treasury shares	-	-	-	-	-	-	-	-	(10)	(10)
ESOS exercised	-	-	-	-	(1,833)	-	-	3,003	12,536	13,706
Option charge arising from ESOS granted	-	-	-	-	1,691	-	-	-	-	1,691
Total transactions with owners	-	-	(1,254,376)	-	(142)	28	-	1,257,379	12,526	15,415
<b>Closing Balance @ 30 September 2011</b>	<b>1,580,107</b>	<b>539,664</b>	<b>682,278</b>	<b>99,706</b>	<b>20,979</b>	<b>754</b>	<b>(18,394)</b>	<b>5,823,330</b>	<b>(659,218)</b>	<b>8,069,206</b>

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

**Condensed Financial Statements**

**Unaudited Statement of Changes in Equity For The Financial Period Ended 30 September 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 2012</b>	1,879,909	2,832,383	1,879,909	184,783	22,483	25,114	3,988,722	(714,792)	10,098,511
- Prior year adjustments	-	-	-	8,872	-	-	295,434	-	304,306
<b>Balance as at 1 July 2012, as restated</b>	<u>1,879,909</u>	<u>2,832,383</u>	<u>1,879,909</u>	<u>193,655</u>	<u>22,483</u>	<u>25,114</u>	<u>4,284,156</u>	<u>(714,792)</u>	<u>10,402,817</u>
<u>Comprehensive income</u>									
Net profit for the period	-	-	-	-	-	-	397,065	-	397,065
- Net fair value changes in financial investments available-for-sale	-	-	-	8,763	-	-	-	-	8,763
- Currency translation difference	-	-	-	-	-	11,161	-	-	11,161
Total comprehensive income/(loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,763</u>	<u>-</u>	<u>11,161</u>	<u>397,065</u>	<u>-</u>	<u>416,989</u>
<u>Transactions with owners</u>									
Purchase of treasury shares	-	-	-	-	-	-	-	(13)	(13)
ESOS exercised	-	-	-	-	(2,536)	-	2,631	20,760	20,855
Options charge arising from ESOS granted	-	-	-	-	835	-	-	-	835
Total transactions with owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,701)</u>	<u>-</u>	<u>2,631</u>	<u>20,747</u>	<u>21,677</u>
<b>Closing Balance @ 30 September 2012</b>	<u><b>1,879,909</b></u>	<u><b>2,832,383</b></u>	<u><b>1,879,909</b></u>	<u><b>202,418</b></u>	<u><b>20,782</b></u>	<u><b>36,275</b></u>	<u><b>4,683,852</b></u>	<u><b>(694,045)</b></u>	<u><b>10,841,483</b></u>
<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
- Prior year adjustments	-	-	-	9,832	-	-	217,490	-	227,322
<b>Balance as at 1 July 2011, as restated</b>	<u>1,580,107</u>	<u>539,664</u>	<u>1,741,612</u>	<u>117,484</u>	<u>21,121</u>	<u>36,152</u>	<u>3,430,052</u>	<u>(671,744)</u>	<u>6,794,448</u>
<u>Comprehensive income</u>									
Net profit for the period	-	-	-	-	-	-	278,849	-	278,849
- Net fair value changes in financial investments available-for-sale	-	-	-	(13,643)	-	-	-	-	(13,643)
- Currency translation difference	-	-	-	-	-	(11,038)	-	-	(11,038)
Total comprehensive income/(loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,643)</u>	<u>-</u>	<u>(11,038)</u>	<u>278,849</u>	<u>-</u>	<u>254,168</u>
<u>Transactions with owners</u>									
Purchase of treasury shares	-	-	-	-	-	-	-	(10)	(10)
ESOS exercised	-	-	-	-	(1,833)	-	3,003	12,536	13,706
Options charge arising from ESOS granted	-	-	-	-	1,691	-	-	-	1,691
Total transactions with owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(142)</u>	<u>-</u>	<u>3,003</u>	<u>12,526</u>	<u>15,387</u>
<b>Closing Balance @ 30 September 2011</b>	<u><b>1,580,107</b></u>	<u><b>539,664</b></u>	<u><b>1,741,612</b></u>	<u><b>103,841</b></u>	<u><b>20,979</b></u>	<u><b>25,114</b></u>	<u><b>3,711,904</b></u>	<u><b>(659,218)</b></u>	<u><b>7,064,003</b></u>

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**HONG LEONG BANK BERHAD**  
**(97141-X)**  
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**Condensed Financial Statements**  
**Unaudited Condensed Statements of Cash Flows**  
**For The Financial Period Ended 30 September 2012**

	The Group		The Bank	
	Financial Period Ended 30/09/2012 RM'000	Financial Period Ended 30/09/2011 RM'000	Financial Period Ended 30/09/2012 RM'000	Financial Period Ended 30/09/2011 RM'000
Profit before taxation and zakat	637,469	513,748	533,205	372,752
Adjustments for non-cash items	<u>(53,256)</u>	<u>92,674</u>	<u>(25,983)</u>	<u>155,888</u>
Operating profit before working capital changes	584,213	606,422	507,222	528,640
Changes in working capital:				
Net changes in operating assets	696,492	(6,420,979)	(1,186,131)	(1,914,480)
Net changes in operating liabilities	(3,135,212)	(2,287,471)	(2,316,501)	(8,100,686)
Income taxes and zakat paid	<u>(84,852)</u>	<u>(77,984)</u>	<u>(73,539)</u>	<u>(68,121)</u>
Net cash used in operating activities	<u>(1,939,359)</u>	<u>(8,180,012)</u>	<u>(3,068,949)</u>	<u>(9,554,647)</u>
<b>Cash flows from investing activities</b>				
Net (purchases)/proceeds of financial investments available-for-sale	(2,673,716)	(2,253,155)	(2,476,473)	(1,362,532)
Net proceeds/(purchases) of financial investments held-to-maturity	(241,134)	(67,886)	60,310	(210,591)
Purchase of property and equipment	(38,123)	(25,158)	(37,155)	(17,879)
Proceeds from sale of property and equipment	290	10,754	131	6,093
Purchase of intangible assets	(1,938)	(113,913)	(1,805)	(60,675)
Dividend received on financial investments available-for-sale and held-to-maturity	24,462	2,650	24,462	2,650
Dividend from associated company	51,344	2,379	51,344	2,379
Net cash used in investing activities	<u>(2,878,815)</u>	<u>(2,444,329)</u>	<u>(2,379,186)</u>	<u>(1,640,555)</u>
<b>Cash flows from financing activities</b>				
Purchase of treasury shares	(13)	(10)	(13)	(10)
Cash received from ESOS exercised	20,855	13,706	20,855	13,706
Interest paid on subordinated obligations	<u>(56,883)</u>	<u>(78,917)</u>	<u>(62,849)</u>	<u>(57,382)</u>
Net cash used in financing activities	<u>(36,041)</u>	<u>(65,221)</u>	<u>(42,007)</u>	<u>(43,686)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,854,215)</b>	<b>(10,689,562)</b>	<b>(5,490,142)</b>	<b>(11,238,888)</b>
<b>Currency translation differences</b>	<b>(6,655)</b>	<b>47,792</b>	<b>11,058</b>	<b>28,632</b>
<b>Cash and cash equivalents at the beginning of financial period</b>	<b>19,636,026</b>	<b>30,476,610</b>	<b>18,410,084</b>	<b>25,563,128</b>
<b>Cash and cash equivalents at the end of financial period</b>	<b>14,775,156</b>	<b>19,834,840</b>	<b>12,931,000</b>	<b>14,352,872</b>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial period ended 30 June 2012.*



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**Part A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 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 PERIOD ENDED 30 SEPTEMBER 2012**

**A1 Basis of preparation**

The unaudited condensed financial statements for the financial period ended 30 September 2012 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 MFRS 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 2012. 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 2012.

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.

Since the previous annual audited financial statements as at 30 June 2012 were issued, the Group has adopted the Malaysian Financial Reporting Standards ("MFRS") framework issued by the MASB with effect from 1 July 2012. This MFRS framework was introduced by the MASB in order to fully converge Malaysian existing Financial Reporting Standards ("FRS") framework with the International Financial Reporting Standard ("IFRS") framework issued by the International Accounting Standards Board. Whilst all FRSs issued under the previous FRS framework were equivalent to the MFRSs issued under the MFRS framework, there are some differences in relation to the transitional provisions and effective dates contained in certain of the FRSs.

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 2012, except for the adoption of the following relevant accounting standards, amendments to published accounting standards and interpretations to existing accounting standards which are effective from 1 July 2012:

MFRS 1	"First-time Adoption of MFRS"
MFRS 139	"Financial Instruments: Recognition and Measurement"
Revised MFRS 124	"Related Party Disclosures"
Amendment to MFRS 112	"Income Taxes"
Amendment to MFRS 1	"First time Adoption on Fixed Assets and Hyperinflation"
Amendments to MFRS 7	"Financial Instruments: Disclosures on Transfers of Financial Assets"
Amendment to MFRS 101	"Presentation of Items of Other Comprehensive Income"

The change in accounting policies above have been accounted for retrospectively by re-measuring the relevant financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to the Group's and the Bank's opening retained profits. As such, comparatives have been restated to conform with current year's presentation. The financial effects of convergence to the MFRS framework and any consequential changes in accounting policies as a result of the convergence are discussed in Note A32.

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**A1 Basis of preparation** (continued)

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

**A2 Status of matters giving rise to the auditor's qualified report in the preceding annual financial statements for the year ended 30 June 2012**

There was no qualified report issued by the auditors in the preceding annual financial statements for the year ended 30 June 2012.

**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 period ended 30 September 2012:-

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

a) Share Buy-back

During the financial period ended 30 September 2012, the Bank purchased a total of 1,000 ordinary shares of RM1.00 each ('Shares') from the open market. The Shares purchased were being held as treasury shares in accordance with the provision of Section 67A subsection 3(A)(b) of the Companies Act, 1965.

Details of the Shares bought back for the financial period ended 30 September 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-12	1,000	13.48	13.48	13.48	13,538
Aug-12	-	-	-	-	-
Sep-12	-	-	-	-	-
<b>For the year</b>	<b>1,000</b>	<b>13.48</b>	<b>13.48</b>	<b>13.48</b>	<b>13,538</b>

The total number of Shares bought back, all of which were held as treasury shares as at 30 September 2012 amounted to 81,099,700 Shares, at an average price per share of RM5.32. None of the treasury shares were resold or cancelled to date.

b) Purchase of shares pursuant to ESOS

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

During the financial period ended 30 September 2012, the trust did not purchase any new shares. As at 30 September 2012, the total number of Treasury Shares for ESOS was 44,483,171 at an average carrying value of RM5.90 per share.

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

b) 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) 250,000 share options at an exercise price of RM5.75 (granted and lapsed in financial year ended 2009);
- (x) 200,000 share options at an exercise price of RM7.49;
- (xi) 3,095,000 share options at an exercise price of RM9.14;
- (xii) 1,000,000 share options at an exercise price of RM10.55; and
- (xiii) 1,151,408 share options arising from adjustment for rights issue.

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

During the financial period ended 30 September 2012, a total of 3,517,025 ordinary shares of RM1 each for cash were exercised pursuant to the Company's ESOS at exercise price above per ordinary share.

**A7 Dividends paid**

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

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

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2012  RM'000	Financial Year Ended 30/06/2012 Restated RM'000	Financial Period Ended 30/09/2012  RM'000	Financial Year Ended 30/06/2012 Restated RM'000
Money market instruments:				
Bank Negara Malaysia bills	10,606,086	11,044,525	8,440,056	7,386,564
Government treasury bills	121,163	253,388	121,163	253,388
Malaysian Government securities	492,315	236,879	492,315	236,879
Malaysian Government investment certificates	977,041	2,177,642	792,428	1,730,729
Bankers' acceptances and Islamic accepted bills	3,682,716	4,204,306	3,458,293	3,927,300
Negotiable instruments of deposit	4,467,761	2,975,604	5,013,767	3,378,954
Cagamas bonds	-	72,214	-	72,214
	<u>20,347,082</u>	<u>20,964,558</u>	<u>18,318,022</u>	<u>16,986,028</u>
Quoted securities:				
Shares in Malaysia	9,993	9,024	9,993	9,024
Shares outside Malaysia	60,372	64,431	60,372	64,431
Unquoted securities:				
Private and Islamic debt securities	714,478	422,489	652,483	341,442
Foreign currency bonds	240,309	357,911	240,309	357,911
Total financial assets held-for-trading	<u><u>21,372,234</u></u>	<u><u>21,818,413</u></u>	<u><u>19,281,179</u></u>	<u><u>17,758,836</u></u>

On 1 July 2012, the Bank designated a previously held financial investments available-for-sale to financial assets held for trading, as allowed under MFRS 1. The fair value amount of the financial investments at the date of designation is RM71,566,499.

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

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2012  RM'000	Financial Year Ended 30/06/2012 Restated RM'000	Financial Period Ended 30/09/2012  RM'000	Financial Year Ended 30/06/2012 Restated RM'000
Money market instruments:				
Government treasury bills	422,491	375,160	422,491	375,160
Malaysian Government investment certificates	3,018,428	1,369,664	2,206,629	731,842
Negotiable instruments of deposit	11,800	11,826	12,555	12,658
Other Government securities	230,233	120,818	-	-
Cagamas bonds	753,081	624,625	625,755	471,885
	<u>4,436,033</u>	<u>2,502,093</u>	<u>3,267,430</u>	<u>1,591,545</u>
Quoted Securities:				
Shares in Malaysia	92,006	85,078	92,006	85,078
Loans stocks quoted in Malaysia	11,913	6,420	530	530
Wholesale fund	1,499,900	999,800	1,499,900	999,800
Unquoted securities:				
Private debt securities in Malaysia	2,865,815	2,848,788	2,416,391	2,316,113
Shares in Malaysia	307,977	307,517	307,908	307,448
Shares outside Malaysia	3,342	3,469	3,342	3,469
Foreign currency bonds in Malaysia	2,459,520	2,228,512	2,361,094	2,150,222
Foreign currency bonds outside Malaysia	971,021	881,073	971,021	881,073
Total financial investments available-for-sale	<u>12,647,527</u>	<u>9,862,750</u>	<u>10,919,622</u>	<u>8,335,278</u>

On 1 July 2012, the Bank designated a previously held financial investments available-for-sale to financial assets held for trading, as allowed under MFRS 1. The fair value amount of the financial investments at the date of designation is RM71,566,499.

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

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 30/09/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
Money market instruments:				
Malaysian Government securities	1,478,794	1,867,919	1,478,794	1,867,919
Malaysian Government investment certificates	1,959,288	1,086,401	994,479	530,163
Cagamas bonds	239,419	248,101	197,947	206,773
Negotiable instruments of deposit	26,500	20,593	1,016,577	1,016,326
Other Government securities	34,167	151,958	2,544	2,578
	<u>3,738,168</u>	<u>3,374,972</u>	<u>3,690,341</u>	<u>3,623,759</u>
Unquoted securities in Malaysia:				
Loan stocks	288	306	288	306
Private and Islamic debt securities	123,961	195,694	20,768	91,593
Unquoted bonds	30,465	47,226	30,465	47,226
Investment in preference shares	52,333	52,000	52,333	52,000
	<u>207,047</u>	<u>295,226</u>	<u>103,854</u>	<u>191,125</u>
Total financial investments held-to-maturity	<u>3,945,215</u>	<u>3,670,198</u>	<u>3,794,195</u>	<u>3,814,884</u>

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**A11 Loans, advances and financing**

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2012  RM'000	Financial Year Ended 30/06/2012 Restated RM'000	Financial Period Ended 30/09/2012  RM'000	Financial Year Ended 30/06/2012 Restated RM'000
Overdrafts	4,119,605	4,073,003	3,914,413	3,862,683
Term loans:				
- Housing and shop loans/financing	37,836,076	37,066,670	31,789,613	31,312,244
- Syndicated term loan/financing	5,575,724	5,302,510	5,126,013	4,866,398
- Hire purchase receivables	17,425,964	17,373,330	13,610,975	13,513,532
- Lease receivables	107,344	106,391	-	-
- Other term loans/financing	10,024,472	10,114,562	8,552,153	8,624,704
Credit/charge card receivables	4,162,510	4,233,382	4,162,510	4,233,382
Bills receivables	739,284	651,240	724,221	640,523
Trust receipts	333,505	342,745	328,108	333,701
Claims on customers under acceptance credits	6,964,604	7,251,829	6,618,661	6,870,319
Block discounting	6,555	6,582	6,555	6,582
Revolving credits	4,223,632	3,769,403	3,968,705	3,499,655
Staff loans:				
Staffs other than directors	235,956	241,500	221,412	226,439
Other loans/financing	33,144	37,919	28,842	33,097
Gross loans, advances and financing	<u>91,788,375</u>	<u>90,571,066</u>	<u>79,052,181</u>	<u>78,023,259</u>
Fair value changes arising from fair value hedges	12,161	23,852	10,103	16,722
Unamortised fair value changes arising from terminated fair value hedges	20,807	21,570	13,897	14,838
Allowance for impaired loans, advances and financing:				
- Collective assessment allowance	(1,487,543)	(1,501,615)	(1,192,330)	(1,188,198)
- Individual assessment allowance	(501,568)	(541,978)	(426,025)	(463,710)
Total net loans, advances and financing	<u>89,832,232</u>	<u>88,572,895</u>	<u>77,457,826</u>	<u>76,402,911</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 Period Ended 30/09/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 30/09/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
Domestic non-bank financial institutions	307,296	528,174	190,454	405,085
Domestic business enterprises:				
- small and medium enterprises	11,846,010	12,049,541	11,086,358	11,024,021
- others	20,201,080	19,804,343	18,165,564	17,902,314
Government and statutory bodies	25,554	26,256	19,417	20,272
Individuals	56,099,465	55,475,122	46,575,392	46,179,091
Other domestic entities	44,489	29,549	43,823	26,955
Foreign entities	3,264,481	2,658,081	2,971,173	2,465,521
Gross loans, advances and financing	<u>91,788,375</u>	<u>90,571,066</u>	<u>79,052,181</u>	<u>78,023,259</u>

A11b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 30/09/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
Fixed rate				
- Housing and shop loans/financing	3,267,365	2,997,728	1,842,492	1,688,490
- Hire purchase receivables	16,933,504	16,843,527	13,135,961	12,998,512
- Other fixed rate loan/financing	8,883,299	7,788,523	7,842,923	6,652,746
Variable rate				
- Base lending rate pegged	50,772,998	51,203,453	44,915,137	45,611,954
- Cost plus	11,676,167	11,482,332	11,073,420	10,829,309
- Other variables rates	255,042	255,503	242,248	242,248
Gross loans, advances and financing	<u>91,788,375</u>	<u>90,571,066</u>	<u>79,052,181</u>	<u>78,023,259</u>

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

A11c By economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 30/09/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
Purchase of securities	1,077,470	1,030,125	1,069,377	1,029,928
Purchase of transport vehicles	17,301,797	17,251,679	13,494,349	13,400,268
Purchase of landed properties				
- residential	31,410,156	30,689,119	26,182,497	25,753,364
- non-residential	9,984,903	9,985,329	9,109,475	9,155,652
Purchase of fixed assets (excluding landed properties)	674,788	638,350	595,568	595,691
Personal use	3,583,331	3,576,501	2,719,477	2,664,505
Credit card	4,162,510	4,233,382	4,162,510	4,233,382
Purchase of consumer durables	86	103	79	95
Construction	966,478	924,674	934,566	890,836
Mergers and acquisition	608,486	388,832	608,486	388,832
Working capital	19,903,875	19,907,488	18,306,942	18,194,609
Others	2,114,495	1,945,484	1,868,855	1,716,097
Gross loans, advances and financing	<u>91,788,375</u>	<u>90,571,066</u>	<u>79,052,181</u>	<u>78,023,259</u>

A11d By geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 30/09/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
Malaysia	89,624,169	88,630,215	76,997,317	76,235,196
Singapore	2,035,125	1,767,575	2,035,125	1,767,575
Hong Kong	19,739	20,488	19,739	20,488
Vietnam	109,342	152,788	-	-
Gross loans, advances and financing	<u>91,788,375</u>	<u>90,571,066</u>	<u>79,052,181</u>	<u>78,023,259</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 Period Ended 30/09/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 30/09/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
Within one year	25,532,207	25,774,287	24,044,719	24,202,531
One year to less than three years	7,409,342	7,140,438	6,174,373	5,904,892
Three years to less than five years	9,436,433	9,388,281	7,834,734	7,814,974
Five years and more	49,410,393	48,268,060	40,998,355	40,100,862
Gross loans, advances and financing	<u>91,788,375</u>	<u>90,571,066</u>	<u>79,052,181</u>	<u>78,023,259</u>

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

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 30/09/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
Purchase of securities	10,169	9,941	10,127	9,899
Purchase of transport vehicles	247,075	216,114	195,141	170,994
Purchase of landed properties				
- residential	319,617	342,581	261,171	276,010
- non-residential	68,254	73,388	59,166	66,275
Purchase of fixed assets (excluding landed properties)	20,232	21,667	19,726	21,148
Personal use	93,836	86,654	83,826	78,392
Credit card	61,292	66,949	61,292	66,949
Purchase of consumer durables	7	7	5	7
Construction	16,980	26,388	15,271	24,627
Working capital	596,151	649,243	509,080	557,166
Others	47,143	39,082	46,844	38,719
	<u>1,480,756</u>	<u>1,532,014</u>	<u>1,261,649</u>	<u>1,310,186</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 Period Ended 30/09/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 30/09/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
Malaysia	1,438,546	1,489,443	1,219,439	1,267,615
Singapore	42,210	42,571	42,210	42,571
	<u>1,480,756</u>	<u>1,532,014</u>	<u>1,261,649</u>	<u>1,310,186</u>

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

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 30/09/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
As at beginning of the financial period/year				
- As previously reported	1,532,014	1,882,930	1,310,186	600,800
- fair value adjustments on completion of business combination accounting	-	32,471	-	-
As restated	<u>1,532,014</u>	<u>1,915,401</u>	<u>1,310,186</u>	<u>600,800</u>
Vesting of assets and liabilities of Promino	-	-	-	1,003,131
Impaired during the financial period/year	430,481	2,078,452	364,542	1,789,034
Performing during the financial period/ year	(236,803)	(1,081,218)	(191,268)	(893,761)
Amount written back in respect of recoveries	(144,594)	(800,135)	(128,563)	(712,422)
Amount written off	(98,169)	(584,256)	(93,193)	(477,386)
Exchange difference	(2,173)	3,770	(55)	790
As at end of the financial period/year	<u>1,480,756</u>	<u>1,532,014</u>	<u>1,261,649</u>	<u>1,310,186</u>
Gross impaired /non-performing loan as a % of gross loans advances and financing	<u>1.6%</u>	<u>1.7%</u>	<u>1.6%</u>	<u>1.7%</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 Period Ended 30/09/2012  RM'000	Financial Year Ended 30/06/2012 Restated RM'000	Financial Period Ended 30/09/2012  RM'000	Financial Year Ended 30/06/2012 Restated RM'000
<u>Collective Assessment Allowance</u>				
As at beginning of the financial year				
- as previously stated	1,881,419	1,575,097	1,593,942	726,970
- fair value adjustments on completion of business combination accounting	-	215,217	-	-
- effect of change in accounting policy	(379,804)	(253,825)	(405,744)	(303,095)
As restated	1,501,615	1,536,489	1,188,198	423,875
Vesting of assets and liabilities of Promino	-	-	-	791,101
Allowance made during the period/year	247,743	794,400	199,688	679,925
Amount transferred from/(to) individual assessment	(4,800)	55,688	(4,800)	45,291
Disposal of subsidiary	-	(1,168)	-	-
Amount written back in respect of recoveries	(190,928)	(459,074)	(128,063)	(371,626)
Amount written off	(72,454)	(416,370)	(67,098)	(372,992)
Unwinding income	6,393	(8,819)	4,405	(7,871)
Exchange differences	(26)	469	-	495
As at end of the financial period/year	<u>1,487,543</u>	<u>1,501,615</u>	<u>1,192,330</u>	<u>1,188,198</u>
As a % of gross loans, advances and financing less loans exempted from individual assessment allowance	<u>1.6%</u>	<u>1.7%</u>	<u>1.5%</u>	<u>1.5%</u>
<u>Individual Assessment Allowance</u>				
As at beginning of the financial year				
- as previously stated	541,978	666,314	463,710	154,627
- fair value adjustments on completion of business combination accounting	-	126,746	-	-
As restated	541,978	793,060	463,710	154,627
Vesting of assets and liabilities of Promino	-	-	-	492,209
Allowance made during the period/year	14,083	61,155	13,986	52,182
Amount transferred from/(to) collective assessment	4,800	(55,688)	4,800	(45,291)
Amount transfer to provision for diminution in value	(12,820)	-	(12,820)	-
Amount written back in respect of recoveries	(21,999)	(135,754)	(21,435)	(123,518)
Amount written off	(19,662)	(116,873)	(19,567)	(57,582)
Unwinding income	(2,693)	(9,716)	(2,627)	(9,407)
Exchange difference	(2,119)	5,794	(22)	490
As at end of the financial period/year	<u>501,568</u>	<u>541,978</u>	<u>426,025</u>	<u>463,710</u>

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**A12 Other assets**

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 30/09/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
Foreclosed properties	1,112	1,338	1,112	1,338
Sundry debtors and other prepayments	97,355	129,262	94,129	100,258
Treasury related receivables	122,806	220,591	122,806	220,591
Other receivables	195,350	190,402	83,882	102,569
	<u>416,623</u>	<u>541,593</u>	<u>301,929</u>	<u>424,756</u>

**A13 Deposits from customers**

A13a By type of deposit

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 30/09/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
Fixed deposits	74,200,646	74,738,523	63,737,084	64,442,292
Negotiable instruments of deposit	7,967,138	5,828,928	8,259,115	6,437,718
	<u>82,167,784</u>	<u>80,567,451</u>	<u>71,996,199</u>	<u>70,880,010</u>
Demand deposits	15,788,509	14,675,678	13,752,257	12,298,456
Saving deposits	13,247,135	14,815,602	11,187,945	12,733,750
Short term corporate placement	11,954,353	12,641,446	11,954,353	12,641,446
Other	298,647	395,466	289,434	386,033
	<u>123,456,428</u>	<u>123,095,643</u>	<u>109,180,188</u>	<u>108,939,695</u>

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**A13 Deposits from customers (continued)**

A13b By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 30/09/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
Government and statutory bodies	3,057,328	3,861,648	2,045,222	2,663,604
Business enterprises	58,981,808	57,508,742	49,316,143	48,251,587
Individuals	59,699,673	59,427,462	56,321,699	55,981,810
Others	1,717,619	2,297,791	1,497,124	2,042,694
	<u>123,456,428</u>	<u>123,095,643</u>	<u>109,180,188</u>	<u>108,939,695</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 Period Ended 30/09/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 30/09/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
Due within six months	62,741,373	60,720,326	53,234,610	52,158,890
More than six months to one year	14,392,002	14,405,933	13,747,193	13,307,454
More than one year to five years	5,034,409	5,441,192	5,014,396	5,413,666
	<u>82,167,784</u>	<u>80,567,451</u>	<u>71,996,199</u>	<u>70,880,010</u>

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

	<u>The Group</u>		<u>The Bank</u>	
	<b>Financial Period Ended 30/09/2012 RM'000</b>	<b>Financial Year Ended 30/06/2012 RM'000</b>	<b>Financial Period Ended 30/09/2012 RM'000</b>	<b>Financial Year Ended 30/06/2012 RM'000</b>
Licensed banks	5,411,653	7,813,440	5,221,752	7,422,996
Licensed investment banks	-	485,723	-	404,343
Licensed Islamic banks	650,419	1,441,508	-	-
Other financial institutions	150,037	50,025	150,037	50,025
	<u>6,212,109</u>	<u>9,790,696</u>	<u>5,371,789</u>	<u>7,877,364</u>
The maturity structure of deposits and placements of banks and other financial institutions:				
- One year or less (short term)	<u>6,212,109</u>	<u>9,790,696</u>	<u>5,371,789</u>	<u>7,877,364</u>

**A15 Other liabilities**

	<u>The Group</u>		<u>The Bank</u>	
	<b>Financial Period Ended 30/09/2012 RM'000</b>	<b>Financial Year Ended 30/06/2012 RM'000</b>	<b>Financial Period Ended 30/09/2012 RM'000</b>	<b>Financial Year Ended 30/06/2012 RM'000</b>
Zakat	269	200	-	-
Post employment benefits obligation				
- defined contribution plan	3,036	3,079	3,036	3,079
Loan advance payment	1,509,545	1,444,836	1,279,443	1,244,798
Amount due to Cagamas Berhad	177,845	179,719	177,845	179,719
Amount due to subsidiary companies	-	-	188,156	219,443
Treasury clearing	184,428	312	82,278	312
Cheque clearing	85,229	114,253	83,209	91,029
Treasury related payable	46,336	199,745	46,336	199,745
Sundry creditors & accruals	549,881	495,649	501,876	458,182
Provision for bonus and staff related expenses	161,045	124,500	154,794	119,508
Others	321,045	177,395	296,814	148,603
	<u>3,038,659</u>	<u>2,739,688</u>	<u>2,813,787</u>	<u>2,664,418</u>



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**A16 Senior bonds**

		<b><u>The Group and The Bank</u></b>	
		<b>Financial Period Ended 30/09/2012 RM'000</b>	<b>Financial Year Ended 30/06/2012 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	919,200
Foreign exchange translations		(150)	69,750
		<u>1,835,400</u>	<u>1,905,300</u>
Add: Interest payable		14,243	16,274
		<u>1,849,643</u>	<u>1,921,574</u>
Less: Unamortised discounts		(12,038)	(13,781)
		<u><u>1,837,605</u></u>	<u><u>1,907,793</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**

		<b><u>The Group</u></b>		<b><u>The Bank</u></b>	
		<b>Financial Period Ended 30/09/2012 RM'000</b>	<b>Financial Year Ended 30/06/2012 RM'000</b>	<b>Financial Period Ended 30/09/2012 RM'000</b>	<b>Financial Year Ended 30/06/2012 RM'000</b>
RM700 million Tier 2 subordinated debt, at par	(a)	700,000	700,000	700,000	700,000
Add: Interest payable		4,837	13,208	4,837	13,208
		<u>704,837</u>	<u>713,208</u>	<u>704,837</u>	<u>713,208</u>
Less: Unamortised discounts		(1,356)	(1,603)	(1,356)	(1,603)
		<u>703,481</u>	<u>711,605</u>	<u>703,481</u>	<u>711,605</u>
RM1.0 billion Tier 2 subordinated debt, at par	(b)	1,000,000	1,000,000	1,000,000	1,000,000
Add: Interest payable		17,519	6,555	17,519	6,555
		<u>1,017,519</u>	<u>1,006,555</u>	<u>1,017,519</u>	<u>1,006,555</u>
Less: Unamortised discounts		(2,132)	(2,436)	(2,132)	(2,436)
		<u>1,015,387</u>	<u>1,004,119</u>	<u>1,015,387</u>	<u>1,004,119</u>

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**A17 Subordinated bonds (continued)**

		<u>The Group</u>		<u>The Bank</u>	
		<u>Financial Period Ended 30/09/2012 RM'000</u>	<u>Financial Year Ended 30/06/2012 RM'000</u>	<u>Financial Period Ended 30/09/2012 RM'000</u>	<u>Financial Year Ended 30/06/2012 RM'000</u>
Subordinated medium term notes, at par	(c)	1,160,000	1,160,000	1,160,000	1,160,000
Add: Interest payable		13,064	9,267	13,064	9,267
		<u>1,173,064</u>	<u>1,169,267</u>	<u>1,173,064</u>	<u>1,169,267</u>
Less: Unamortised discounts		(14,074)	(14,214)	(12,931)	(14,822)
Add: Fair value adjustments on completion of business combination accounting		13,408	18,000	13,408	18,000
		<u>1,172,398</u>	<u>1,173,053</u>	<u>1,173,541</u>	<u>1,172,445</u>
RM1.5 billion Tier 2 subordinated debt, at par	(d)	1,500,000	1,500,000	1,500,000	1,500,000
Add: Interest payable		18,678	1,664	18,678	1,664
		<u>1,518,678</u>	<u>1,501,664</u>	<u>1,518,678</u>	<u>1,501,664</u>
Less: Unamortised discounts		(2,875)	(582)	(2,875)	(582)
		<u>1,515,803</u>	<u>1,501,082</u>	<u>1,515,803</u>	<u>1,501,082</u>
		<u>4,407,069</u>	<u>4,389,859</u>	<u>4,408,212</u>	<u>4,389,251</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 Non-innovative Tier 1 stapled securities**

	<u><b>The Group and The Bank</b></u>	
	<b>Financial Period Ended 30/09/2012 RM'000</b>	<b>Financial Year Ended 30/06/2012 RM'000</b>
RM1.4 billion Non-Innovative Tier 1 stapled securities, at par	1,400,000	1,400,000
Add: Interest payable	28,474	10,653
	<u>1,428,474</u>	<u>1,410,653</u>
Less: Unamortised discounts	(2,950)	(3,370)
	<u><u>1,425,524</u></u>	<u><u>1,407,283</u></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.

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**A19 Innovative Tier 1 capital securities**

	<u>The Group</u>		<u>The Bank</u>	
	<u>Financial Period Ended 30/09/2012 RM'000</u>	<u>Financial Year Ended 30/06/2012 RM'000</u>	<u>Financial Period Ended 30/09/2012 RM'000</u>	<u>Financial Year Ended 30/06/2012 RM'000</u>
RM500 million Innovative Tier 1 capital securities at par	500,000	500,000	500,000	500,000
Add: Interest payable	2,373	12,545	2,373	12,545
	<u>502,373</u>	<u>512,545</u>	<u>502,373</u>	<u>512,545</u>
Less: Unamortised discounts	(9,687)	(9,708)	(10,831)	(11,174)
Add: Fair value adjustments on completion of business combination accounting	66,905	71,744	66,905	71,744
	<u>559,591</u>	<u>574,581</u>	<u>558,447</u>	<u>573,115</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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**A20 Interest income**

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>Group</b>				
Loan, advances and financing	989,070	993,368	989,070	993,368
Money at call and deposit placements with financial institutions	98,305	153,450	98,305	153,450
Securities purchased under resale agreements	5,724	341	5,724	341
Financial assets held-for-trading	186,263	84,652	186,263	84,652
Financial investments available-for-sale	74,316	32,878	74,316	32,878
Financial investments held-to-maturity	24,697	63,661	24,697	63,661
Others	58	277	58	277
	<u>1,378,433</u>	<u>1,328,627</u>	<u>1,378,433</u>	<u>1,328,627</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>6,620</u>	<u>3,748</u>	<u>6,620</u>	<u>3,748</u>

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>Bank</b>				
Loan, advances and financing	986,652	989,359	986,652	989,359
Money at call and deposit placements with financial institutions	98,922	147,009	98,922	147,009
Securities purchased under resale agreements	5,724	341	5,724	341
Financial assets held-for-trading	191,812	84,652	191,812	84,652
Financial investments available-for-sale	69,941	34,931	69,941	34,931
Financial investments held-to-maturity	30,435	68,466	30,435	68,466
Others	11,705	11,973	11,705	11,973
	<u>1,395,191</u>	<u>1,336,731</u>	<u>1,395,191</u>	<u>1,336,731</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>6,620</u>	<u>3,748</u>	<u>6,620</u>	<u>3,748</u>

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**A21 Interest expense**

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	<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	25,379	17,683	25,379	17,683
Deposits from customers	560,363	519,556	560,363	519,556
Short term corporate placements	80,263	59,675	80,263	59,675
Senior bonds	17,551	9,235	17,551	9,235
Tier-2 subordinated bonds	44,534	29,478	44,534	29,478
Tier-2 capital cumulative subordinated loan	-	23,403	-	23,403
Non-innovative Tier-1 stapled securities	18,241	18,353	18,241	18,353
Innovative Tier-1 capital securities	5,579	3,750	5,579	3,750
Others	2,574	3,237	2,574	3,237
	<u>754,484</u>	<u>684,370</u>	<u>754,484</u>	<u>684,370</u>

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	<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	25,736	26,027	25,736	26,027
Deposits from customers	583,157	535,809	583,157	535,809
Short term corporate placements	80,263	59,675	80,263	59,675
Senior bonds	17,551	9,235	17,551	9,235
Tier-2 subordinated bonds	50,178	29,534	50,178	29,534
Tier-2 capital cumulative subordinated loan	-	23,403	-	23,403
Non-innovative Tier-1 stapled securities	18,241	18,353	18,241	18,353
Innovative Tier-1 capital securities	5,901	3,800	5,901	3,800
Others	2,574	2,974	2,574	2,974
	<u>783,601</u>	<u>708,810</u>	<u>783,601</u>	<u>708,810</u>

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**A22 Net income from Islamic Banking business**

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	<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	216,224	221,778	216,224	221,778
of which Finance income	213,709	221,778	213,709	221,778
of which other operating income	2,515	-	2,515	-
Income derived from investment of shareholders' funds	7,229	7,931	7,229	7,931
of which Finance income	2,159	10,753	2,159	10,753
of which other operating income	5,070	(2,822)	5,070	(2,822)
Income attributable to depositors	(111,612)	(133,675)	(111,612)	(133,675)
	111,841	96,034	111,841	96,034

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**A23 Other operating income**

<u>Group</u>	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/09/2012</b>	<b>30/09/2011</b>	<b>30/09/2012</b>	<b>30/09/2011</b>
	<b>RM'000</b>	<b>Restated RM'000</b>	<b>RM'000</b>	<b>Restated RM'000</b>
<b>(a) <u>Fee income:</u></b>				
Commissions	33,042	28,407	33,042	28,407
Service charges and fees	9,349	14,831	9,349	14,831
Guarantee fees	5,675	5,216	5,675	5,216
Credit card related fees	65,332	66,115	65,332	66,115
Corporate advisory fees	451	2,009	451	2,009
Commitment fees	8,511	7,997	8,511	7,997
Fee on loans, advances and financing	18,892	14,853	18,892	14,853
Brokerage	-	2,894	-	2,894
Other fee income	7,297	7,334	7,297	7,334
	<u>148,549</u>	<u>149,656</u>	<u>148,549</u>	<u>149,656</u>
<b>(b) <u>Gain/(loss) arising from sale of financial assets:</u></b>				
Net gain from sale of financial assets held-for-trading	11,661	5,069	11,661	5,069
Net gain from sale of derivative financial instruments	10,382	29,678	10,382	29,678
Net gain from sale of financial investments available-for-sale	25,780	1,555	25,780	1,555
Net gain from redemption of financial investments held-to-maturity	8,378	820	8,378	820
	<u>56,201</u>	<u>37,122</u>	<u>56,201</u>	<u>37,122</u>
<b>(c) <u>Gross dividend income from:</u></b>				
Financial investments available-for-sale	<u>12,231</u>	<u>1,325</u>	<u>12,231</u>	<u>1,325</u>



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**A23 Other operating income** (continued)

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2012	30/09/2011 Restated	30/09/2012	30/09/2011 Restated
	RM'000	RM'000	RM'000	RM'000
(d) <u>Net unrealised gain/(loss) on revaluation of:</u>				
- Financial assets held-for-trading	(6,260)	(2,782)	(6,260)	(2,782)
- Derivatives financial instruments	11,157	(63,423)	11,157	(63,423)
	<u>4,897</u>	<u>(66,205)</u>	<u>4,897</u>	<u>(66,205)</u>
(e) <u>Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges</u>	<u>(4,987)</u>	<u>(4,687)</u>	<u>(4,987)</u>	<u>(4,687)</u>
(f) <u>Net unrealised gain/(loss) on fair value changes arising from fair value hedges</u>	<u>2,788</u>	<u>(4,559)</u>	<u>2,788</u>	<u>(4,559)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	41,142	44,608	41,142	44,608
Rental income	1,299	708	1,299	708
Gain on disposal of property and equipment (net)	131	174	131	174
Others	4,487	7,005	4,487	7,005
	<u>47,059</u>	<u>52,495</u>	<u>47,059</u>	<u>52,495</u>
Total other operating income	<u>266,738</u>	<u>165,147</u>	<u>266,738</u>	<u>165,147</u>

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**A23 Other operating income** (continued)

	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/09/2012</b>	<b>30/09/2011</b>	<b>30/09/2012</b>	<b>30/09/2011</b>
	<b>RM'000</b>	<b>Restated RM'000</b>	<b>RM'000</b>	<b>Restated RM'000</b>
<b><u>Bank</u></b>				
<b>(a) <u>Fee income:</u></b>				
Commissions	32,989	28,273	32,989	28,273
Service charges and fees	9,374	15,462	9,374	15,462
Guarantee fees	5,666	5,216	5,666	5,216
Credit card related fees	65,332	66,115	65,332	66,115
Corporate advisory fees	451	540	451	540
Commitment fees	8,515	8,005	8,515	8,005
Fee on loans, advances and financing	18,892	14,853	18,892	14,853
Other fee income	7,709	7,334	7,709	7,334
	<u>148,928</u>	<u>145,798</u>	<u>148,928</u>	<u>145,798</u>
<b>(b) <u>Gain/(loss) arising from sale of financial assets:</u></b>				
Net gain from sale of financial assets held-for-trading	11,661	5,036	11,661	5,036
Net gain from sale of derivative financial instruments	10,382	29,678	10,382	29,678
Net gain from sale of financial investments available-for-sale	25,762	1,349	25,762	1,349
Net gain from redemption of financial investments held-to-maturity	8,378	820	8,378	820
	<u>56,183</u>	<u>36,883</u>	<u>56,183</u>	<u>36,883</u>
<b>(c) <u>Gross dividend income from:</u></b>				
Associated company	51,344	2,379	51,344	2,379
Financial investments available-for-sale	12,231	1,325	12,231	1,325
	<u>63,575</u>	<u>3,704</u>	<u>63,575</u>	<u>3,704</u>

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**A23 Other operating income** (continued)

	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/09/2012</b>	<b>30/09/2011</b>	<b>30/09/2012</b>	<b>30/09/2011</b>
	<b>RM'000</b>	<b>Restated RM'000</b>	<b>RM'000</b>	<b>Restated RM'000</b>
(d) <u>Net unrealised gain/(loss) on revaluation of:</u>				
- Financial assets held-for-trading	(6,260)	(2,782)	(6,260)	(2,782)
- Derivatives financial instruments	11,157	(63,423)	11,157	(63,423)
	<u>4,897</u>	<u>(66,205)</u>	<u>4,897</u>	<u>(66,205)</u>
(e) <u>Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges</u>	<u>(3,899)</u>	<u>(3,001)</u>	<u>(3,899)</u>	<u>(3,001)</u>
(f) <u>Net unrealised gain/(loss) on fair value changes arising from fair value hedges</u>	<u>2,788</u>	<u>(4,559)</u>	<u>2,788</u>	<u>(4,559)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	40,612	41,551	40,612	41,551
Rental income	1,299	1,204	1,299	1,204
Gain on disposal of property and equipment (net)	131	173	131	173
Others	4,289	6,760	4,289	6,760
	<u>46,331</u>	<u>49,688</u>	<u>46,331</u>	<u>49,688</u>
Total other operating income	<u><u>318,803</u></u>	<u><u>162,308</u></u>	<u><u>318,803</u></u>	<u><u>162,308</u></u>

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**A24 Other operating expenses**

<b>Group</b>	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/09/2012</b>	<b>30/09/2011</b>	<b>30/09/2012</b>	<b>30/09/2011</b>
	<b>RM'000</b>	<b>Restated RM'000</b>	<b>RM'000</b>	<b>Restated RM'000</b>
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	212,512	243,688	212,512	243,688
- Medical expenses	5,524	4,000	5,524	4,000
- Training and convention expenses	4,951	4,305	4,951	4,305
- Staff welfare	3,086	3,254	3,086	3,254
- Others	6,127	5,872	6,127	5,872
<u>Establishment costs</u>				
- Depreciation of property and equipment	27,703	24,559	27,703	24,559
- Amortisation of intangible assets	24,312	18,663	24,312	18,663
- Rental	20,299	17,842	20,299	17,842
- Information technology expenses	21,826	21,044	21,826	21,044
- Security services	5,471	6,266	5,471	6,266
- Electricity, water and sewerage	9,413	5,750	9,413	5,750
- Hire of plant and machinery	3,884	2,347	3,884	2,347
- Others	5,462	5,669	5,462	5,669
<u>Marketing expenses</u>				
- Advertisement and publicity	7,529	892	7,529	892
- Credit card related fees	15,848	20,374	15,848	20,374
- Others	3,923	3,150	3,923	3,150
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,587	4,680	3,587	4,680
- Stationery & printing	4,230	4,949	4,230	4,949
- Professional fees	20,121	12,971	20,121	12,971
- Insurance fees	4,244	4,571	4,244	4,571
- Stamp, postage and courier	6,741	5,845	6,741	5,845
- Credit card fees	16,266	15,858	16,266	15,858
- Travelling and transport expenses	1,402	1,647	1,402	1,647
- Registration and license fees	1,175	1,022	1,175	1,022
- Brokerage and commission	1,261	999	1,261	999
- Others	5,956	5,472	5,956	5,472
	<b>442,853</b>	<b>445,689</b>	<b>442,853</b>	<b>445,689</b>

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**A24 Other operating expenses (continued)**

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	RM'000	Restated RM'000	RM'000	Restated RM'000
<b><u>Bank</u></b>				
<b><u>Personnel costs</u></b>				
- Salaries, allowances and bonuses	181,438	208,818	181,438	208,818
- Medical expenses	4,655	3,629	4,655	3,629
- Training and convention expenses	4,400	3,926	4,400	3,926
- Staff welfare	2,517	2,997	2,517	2,997
- Others	4,709	4,425	4,709	4,425
<b><u>Establishment costs</u></b>				
- Depreciation of property and equipment	26,743	23,132	26,743	23,132
- Amortisation of intangible assets	23,561	18,324	23,561	18,324
- Rental	16,649	14,630	16,649	14,630
- Information technology expenses	19,485	19,588	19,485	19,588
- Security services	4,411	5,606	4,411	5,606
- Electricity, water and sewerage	9,090	5,167	9,090	5,167
- Hire of plant and machinery	3,044	2,312	3,044	2,312
- Others	511	1,562	511	1,562
<b><u>Marketing expenses</u></b>				
- Advertisement and publicity	7,205	440	7,205	440
- Credit card related fees	15,848	20,374	15,848	20,374
- Others	3,887	2,681	3,887	2,681
<b><u>Administration and general expenses</u></b>				
- Teletransmission expenses	3,861	4,422	3,861	4,422
- Stationery & printing	4,207	4,700	4,207	4,700
- Professional fees	19,732	12,632	19,732	12,632
- Insurance fees	3,693	4,356	3,693	4,356
- Stamp, postage and courier	6,724	5,524	6,724	5,524
- Credit card fees	16,266	15,858	16,266	15,858
- Travelling and transport expenses	1,098	1,360	1,098	1,360
- Registration and license fees	1,127	937	1,127	937
- Brokerage and commission	1,171	920	1,171	920
- Others	5,497	4,399	5,497	4,399
	<u>391,529</u>	<u>392,719</u>	<u>391,529</u>	<u>392,719</u>

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**A25 Allowance for impairment losses on loans, advances and financing**

	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/09/2012</b>	<b>30/09/2011</b>	<b>30/09/2012</b>	<b>30/09/2011</b>
	<b>RM'000</b>	<b>Restated RM'000</b>	<b>RM'000</b>	<b>Restated RM'000</b>
<b><u>Group</u></b>				
Allowance for impairment losses on loans, advances and financing:				
- collective assessment allowance	56,815	96,780	56,815	96,780
- individual assessment allowance	(7,916)	(9,127)	(7,916)	(9,127)
Impaired loans and financing written off	4,750	2,119	4,750	2,119
Impaired loans and financing recovered	(68,370)	(77,957)	(68,370)	(77,957)
	<u>(14,721)</u>	<u>11,815</u>	<u>(14,721)</u>	<u>11,815</u>

	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/09/2012</b>	<b>30/09/2011</b>	<b>30/09/2012</b>	<b>30/09/2011</b>
	<b>RM'000</b>	<b>Restated RM'000</b>	<b>RM'000</b>	<b>Restated RM'000</b>
<b><u>Bank</u></b>				
Allowance for impairment losses on loans, advances and financing:				
- collective assessment allowance	71,625	107,452	71,625	107,452
- individual assessment allowance	(7,449)	(8,644)	(7,449)	(8,644)
Impaired loans and financing written off	4,419	2,021	4,419	2,021
Impaired loans and financing recovered	(61,627)	(74,757)	(61,627)	(74,757)
	<u>6,968</u>	<u>26,072</u>	<u>6,968</u>	<u>26,072</u>

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**A26 Capital adequacy**

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2012  RM'000	Financial Year Ended 30/06/2012 Restated * RM'000	Financial Period Ended 30/09/2012  RM'000	Financial Year Ended 30/06/2012 Restated * 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	1,879,909	1,879,909	1,879,909
Share premium	2,832,383	2,832,383	2,832,383	2,832,383
Retained profit	5,323,642	5,356,240	4,284,156	4,284,156
Other reserves	2,181,588	2,157,549	1,936,966	1,927,506
Non-innovative Tier-1 stapled securities	1,397,050	1,396,630	1,397,050	1,396,630
Innovative Tier-1 capital securities	490,635	490,292	489,169	488,826
Less: Treasury shares	(694,045)	(714,792)	(694,045)	(714,792)
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)
<b>Total Tier-1 capital</b>	<b>11,579,850</b>	<b>11,566,899</b>	<b>10,354,041</b>	<b>10,323,071</b>
<b>Tier-2 capital</b>				
Collective assessment allowance ^	921,460	932,830	742,109	735,127
Subordinated bonds	4,341,314	4,341,165	4,340,706	4,340,557
<b>Total Tier-2 capital</b>	<b>5,262,774</b>	<b>5,273,995</b>	<b>5,082,815</b>	<b>5,075,684</b>
<b>Total capital</b>	<b>16,842,624</b>	<b>16,840,894</b>	<b>15,436,856</b>	<b>15,398,755</b>
Less: Investment in subsidiary companies	-	-	(2,078,061)	(2,081,933)
Less: Investment in associated company	(1,549,962)	(1,540,288)	(946,505)	(946,505)
Less: Investment in jointly controlled entity	(77,617)	(76,871)	(76,711)	(76,711)
<b>Total capital base</b>	<b>15,215,045</b>	<b>15,223,735</b>	<b>12,335,579</b>	<b>12,293,606</b>
<b><u>Before deducting proposed dividends</u></b>				
Core capital ratio	12.03%	11.95%	12.11%	12.04%
Risk-weighted capital ratio	15.81%	15.73%	14.43%	14.34%
<b><u>After deducting proposed dividends</u></b>				
Core capital ratio	11.65%	11.58%	11.68%	11.61%
Risk-weighted capital ratio	15.43%	15.35%	14.00%	13.91%

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

\* The above capital adequacy ratios has been adjusted for the effect of the adoption of MFRS 139 and MFRS 1.

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**A26 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 September 2012</b>	
<u>Before deducting proposed</u>	
<u>dividends:</u>	
Core capital ratio	9.90%
Risk-weighted capital ratio	<u>13.71%</u>
<u>After deducting proposed</u>	
<u>dividends:</u>	
Core capital ratio	9.60%
Risk-weighted capital ratio	<u>13.42%</u>
<b>As at 30 June 2012 (Restated)</b>	
<u>Before deducting proposed</u>	
<u>dividends:</u>	
Core capital ratio	9.62%
Risk-weighted capital ratio	<u>13.47%</u>
<u>After deducting proposed</u>	
<u>dividends:</u>	
Core capital ratio	9.33%
Risk-weighted capital ratio	<u>13.19%</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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**A26 Capital adequacy (continued)**

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

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 30/09/2012  RM'000	Financial Year Ended 30/06/2012 Restated RM'000	Financial Period Ended 30/09/2012  RM'000	Financial Year Ended 30/06/2012 Restated RM'000
Risk-weighted assets for credit risk	87,078,170	87,930,928	77,386,623	77,805,312
Risk-weighted assets for market risk	3,420,581	3,501,182	3,238,289	3,300,893
Risk-weighted assets for operational risk	5,732,653	5,344,452	4,887,883	4,639,177
Total risk-weighted assets	<u>96,231,404</u>	<u>96,776,562</u>	<u>85,512,795</u>	<u>85,745,382</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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**A27 Group segmental reporting on revenue, profit and assets**

	Financial quarter ended 30/09/2012					Total RM'000
	Personal Financial Services RM'000	Business & Corporate 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	583,677	82,869	335,982	-	-	1,002,528
Inter-segment revenue	29,314	155,411	(184,725)	-	-	-
Segment revenue	<u>612,991</u>	<u>238,280</u>	<u>151,257</u>	<u>-</u>	<u>-</u>	<u>1,002,528</u>
Segment profit before taxation	306,465	155,284	113,956	-	-	575,705
Share of profit after tax of equity accounted associated company					61,018	61,018
Share of profit after tax of equity accounted jointly controlled entity					746	746
Profit before taxation and zakat						<u>637,469</u>
Taxation and zakat						<u>(159,835)</u>
Profit after taxation						<u><u>477,634</u></u>

	Financial period ended 30/09/2012					Total RM'000
	Personal Financial Services RM'000	Business & Corporate 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	583,677	82,869	335,982	-	-	1,002,528
Inter-segment revenue	29,314	155,411	(184,725)	-	-	-
Segment revenue	<u>612,991</u>	<u>238,280</u>	<u>151,257</u>	<u>-</u>	<u>-</u>	<u>1,002,528</u>
Segment profit before taxation	306,465	155,284	113,956	-	-	575,705
Share of profit after tax of equity accounted associated company					61,018	61,018
Share of profit after tax of equity accounted jointly controlled entity					746	746
Profit before taxation and zakat						<u>637,469</u>
Taxation and zakat						<u>(159,835)</u>
Profit after taxation						<u><u>477,634</u></u>
Segment assets	63,332,960	27,244,110	56,994,279	-	-	147,571,349
Unallocated assets						8,067,277
Total assets						<u><u>155,638,626</u></u>

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**A27 Group segmental reporting on revenue, profit and assets (continued)**

	Corresponding quarter ended 30/09/2011 (Restated)					Total RM'000
	Personal Financial Services RM'000	Business & Corporate 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	648,905	57,148	190,532	8,853	-	905,438
Inter-segment revenue	(16,105)	129,582	(113,477)	-	-	-
Segment revenue	<u>632,800</u>	<u>186,730</u>	<u>77,055</u>	<u>8,853</u>	<u>-</u>	<u>905,438</u>
Segment profit before taxation	297,816	123,242	37,220	(6,539)	-	451,739
Share of profit after tax of equity accounted associated company					61,841	61,841
Share of profit after tax of equity accounted jointly controlled entity					168	168
Profit before taxation and zakat						513,748
Taxation and zakat						(114,208)
Profit after taxation						<u>399,540</u>

	Corresponding financial period ended 30/09/2011 (Restated)					Total RM'000
	Personal Financial Services RM'000	Business & Corporate 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	648,905	57,148	190,532	8,853	-	905,438
Inter-segment revenue	(16,105)	129,582	(113,477)	-	-	-
Segment revenue	<u>632,800</u>	<u>186,730</u>	<u>77,055</u>	<u>8,853</u>	<u>-</u>	<u>905,438</u>
Segment profit before taxation	297,816	123,242	37,220	(6,539)	-	451,739
Share of profit after tax of equity accounted associated company					61,841	61,841
Share of profit after tax of equity accounted jointly controlled entity					168	168
Profit before taxation and zakat						513,748
Taxation and zakat						(114,208)
Profit after taxation						<u>399,540</u>
Segment assets	60,408,010	23,062,182	50,578,429	528,337	-	134,576,958
Unallocated assets						8,758,718
Total assets						<u>143,335,676</u>

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**A28 Property and equipment**

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

**A29(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.

**A29(b) Changes in the composition of the Group**

There were no changes in the composition of the Group for the current financial period and up to the date of this report except for the following:

- (a) CFB Nominees (Tempatan) Sdn Bhd and Oriental Nominee (Tempatan) Sdn Bhd, the wholly-owned subsidiaries of HLB, were dissolved on 26 September 2012.

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**A30 Commitments and contingencies**

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

The commitments and contingencies constitute the following:

	Financial Period Ended 30/09/2012			Financial Year Ended 30/06/2012		
	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	404,529	404,528	373,320	444,051	444,051	403,746
Certain transaction related contingent items	1,409,222	704,611	664,760	1,410,727	705,363	667,229
Short term self liquidating trade related contingencies	1,067,304	213,461	208,680	1,557,667	311,533	304,601
Forward asset purchases	-	-	-	71,513	71,513	14,303
Irrevocable commitments to extend credit:						
- maturity more than one year	13,451,429	6,725,242	5,843,772	12,720,869	6,360,277	5,377,784
- maturity less than one year	18,306,363	3,634,364	3,056,812	17,750,840	3,549,668	2,991,929
Foreign exchange related contracts:						
- less than one year	25,980,912	562,780	320,305	37,767,414	605,763	260,715
- one year to less than five years	1,580,263	186,116	99,382	1,174,381	140,359	80,086
- five years and above	1,652,862	55,235	43,702	686,519	139,323	86,814
Interest rate related contracts:						
- less than one year	17,386,536	41,337	18,507	13,416,046	43,810	20,081
- one year to less than five years	41,485,158	1,137,285	547,302	41,967,670	1,326,970	635,849
- five years and above	12,932,958	1,264,989	638,090	10,741,653	1,069,531	540,557
Equity related contracts:						
- less than one year	98,410	6,940	4,807	69,293	4,953	3,283
- one year to less than five years	-	-	-	9,748	780	390
Unutilised credit card lines	8,351,657	1,670,331	1,569,490	9,200,627	1,840,125	1,380,420
<b>Total</b>	<b>144,107,603</b>	<b>16,607,219</b>	<b>13,388,929</b>	<b>148,989,018</b>	<b>16,614,019</b>	<b>12,767,787</b>

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**A30 Commitments and contingencies (continued)**

	Financial Period Ended 30/09/2012			Financial Year Ended 30/06/2012		
	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	396,454	396,452	365,244	435,503	435,503	395,198
Certain transaction related contingent items	1,333,419	666,710	626,859	1,336,034	668,017	629,882
Short term self liquidating trade related contingencies	1,048,744	209,749	204,969	1,534,557	306,911	299,979
Forward asset purchases	-	-	-	71,513	71,513	14,303
Irrevocable commitments to extend credit:						
- maturity more than one year	10,209,138	5,104,569	4,401,387	9,341,832	4,670,916	3,933,182
- maturity less than one year	17,088,779	3,417,756	2,853,033	16,631,310	3,326,262	2,783,647
Foreign exchange related contracts:						
- less than one year	25,432,314	555,758	318,547	37,673,453	605,763	260,715
- one year to less than five years	5,169,967	481,013	394,279	4,795,712	430,557	370,284
- five years and above	1,652,862	55,235	43,702	686,519	139,323	86,814
Interest rate related contracts:						
- less than one year	17,346,536	41,237	18,457	13,376,046	43,710	20,031
- one year to less than five years	40,885,158	1,120,494	538,910	41,367,670	1,310,270	627,502
- five years and above	12,482,958	1,240,093	625,642	10,241,653	1,040,531	526,057
Equity related contracts:						
- less than one year	98,410	6,940	4,807	69,293	4,953	3,283
- one year to less than five years	-	-	-	9,748	780	390
Unutilised credit card lines	8,351,657	1,670,331	1,569,490	9,200,627	1,840,125	1,380,420
<b>Total</b>	<b>141,496,396</b>	<b>14,966,337</b>	<b>11,965,326</b>	<b>146,771,470</b>	<b>14,895,134</b>	<b>11,331,687</b>

**A31 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.

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**A32 Change in accounting policy and restatement of comparatives**

(a) During the financial period, the Group and the Bank changed the following accounting policy upon adoption of MFRS

(i) MFRS 1 "First time Adoption of Malaysia Reporting Standards" ("MFRS 1")

MFRS 1 allows entity to designate a previously recognised financial asset or financial liability at fair value through profit or loss or a financial asset as available-for-sale. Consequently, the Group and the Bank have designate a previously financial assets available-for-sale to held-for-trading in accordance with adoption of MFRS 1.

(ii) MFRS 139 Financial Instruments: Recognition and Measurement ("MFRS 139") - Accounting Policy on Collective Assessment Allowance for Loans, Advances and Financing

Prior to the transition to MFRS 139, the Group and the Bank had maintained their collective assessment allowance of at least 1.5% of total outstanding loans, net of individual assessment allowance, in line with Bank Negara Malaysia's transitional provisions under its Guidelines on Classification and Impairment Provisions for Loans/Financing. Upon the transition to MFRS 139 on 1 July 2012, these transitional provisions, which were allowed under the previous FRS framework, were removed and the Group and the Bank have applied the requirements of MFRS 139 in the determination of collective assessment allowance.

Under MFRS 139, collective assessment is performed on loans which were not individually assessed and where there is no objective evidence of impairment are also included in the group of loans for collective assessment. These loans are pooled into groups with similar credit risk characteristics and the future cash flows for each group is estimated on the basis of the historical loss experience for such assets and discounted to present value. Collective assessment allowance is made on any shortfall in these discounted cash flows against the carrying value of the group of loans.

This change in accounting policy has been accounted for retrospectively and has resulted in a decrease in the collective assessment allowance charged in the statements of income and a writeback of collective assessment allowance to the opening retained profits and opening collective assessment allowance in the statements of financial positions .

(b) During the financial period, the Group and the Bank have restated certain comparatives

(i) The Group and the Bank had finalised the fair value exercise and purchase price allocation in respect of the acquisition of the assets and liabilities of EON Capital Berhad in the last quarter of financial year ended 30 June 2012 as allowed by previous FRS 3 or MFRS 3 "Business Combinations". Arising from this, certain comparatives for the first quarter of previous financial year end have been restated.

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**A32 Change in accounting policy and restatement of comparatives (continued)**

A summary of the financial impact of the change in accounting policy and restatement of comparatives of the Group and the Bank are as follows:

<b>Group</b>	<b>As previously reported RM'000</b>	<b>Effect of adopting MFRS 1 RM'000</b>	<b>Effect of adopting MFRS 139 RM'000</b>	<b>As restated RM'000</b>
<b>Statement of financial position</b>				
<b>Assets</b>				
Financial assets held-for-trading	21,746,847	71,566	-	21,818,413
Financial investments available-for-sale	9,934,316	(71,566)	-	9,862,750
Loans, advances and financing	88,193,091	-	379,804	88,572,895
- Collective impairment allowances	(1,881,419)	-	379,804	(1,501,615)
<b>Liabilities</b>				
Taxation	163,080	(2,958)	67,594	227,716
Deferred tax liabilities	110,213	2,958	27,362	140,533
<b>Statement of changes in equity</b>				
Retained profits	5,080,264	(8,872)	284,848	5,356,240
Fair value reserve	183,998	8,872	-	192,870
<hr/>				
<b>Group</b>	<b>As previously reported RM'000</b>	<b>Effect of adopting MFRS 1 RM'000</b>	<b>Effect of adopting MFRS 139 RM'000</b>	<b>As restated RM'000</b>
<b>As at 1 July 2011</b>				
<b>Statement of financial position</b>				
<b>Assets</b>				
Financial assets held-for-trading	6,023,147	67,723	-	6,090,870
Financial investments available-for-sale	6,007,635	(67,723)	-	5,939,912
Loans, advances and financing	81,455,336	-	253,825	81,709,161
- Collective impairment allowances	(1,790,314)	-	253,825	(1,536,489)
Deferred tax assets	63,907	(3,277)	(60,630)	-
<b>Liabilities</b>				
Taxation	60,184	(3,277)	53	56,960
Deferred tax liabilities	-	-	2,773	2,773
<b>Statement of changes in equity</b>				
Retained profits	3,985,874	(9,832)	190,369	4,166,411
Fair value reserve	102,211	9,832	-	112,043
<hr/>				
<b>Bank</b>	<b>As previously reported RM'000</b>	<b>Effect of adopting MFRS 1 RM'000</b>	<b>Effect of adopting MFRS 139 RM'000</b>	<b>As restated RM'000</b>
<b>As at 30 June 2012</b>				
<b>Statement of financial position</b>				
<b>Assets</b>				
Financial assets held-for-trading	17,687,270	71,566	-	17,758,836
Financial investments available-for-sale	8,406,844	(71,566)	-	8,335,278
Loans, advances and financing	75,997,167	-	405,744	76,402,911
- Collective impairment allowances	(1,593,942)	-	405,744	(1,188,198)
<b>Liabilities</b>				
Taxation	118,651	(2,958)	75,443	191,136
Deferred tax liabilities	114,148	2,958	25,995	143,101
<b>Statement of changes in equity</b>				
Retained profits	3,988,722	(8,872)	304,306	4,284,156
Fair value reserve	184,783	8,872	-	193,655
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**A32 Change in accounting policy and restatement of comparatives (continued)**

A summary of the financial impact of the change in accounting policy and restatement of comparatives of the Group and the Bank are as follows: (continued)

Bank	As previously reported RM'000	Vesting of assets and liabilities of Promino RM'000	As at 1 July 2011 RM'000	Effect of adopting MFRS 1 RM'000	Effect of adopting MFRS 139 RM'000	As restated RM'000
<b>As at 1 July 2011</b>						
<b>Statement of financial position</b>						
<b>Assets</b>						
Cash and short-term funds	17,349,793	8,213,335	25,563,128	-	-	25,563,128
Deposits and placements with banks and other financial institutions	6,131,473	694,642	6,826,115	-	-	6,826,115
Securities purchased under resale agreements	86	-	86	-	-	86
Financial assets held-for-trading	4,471,896	379,713	4,851,609	67,723	-	4,919,332
Financial investments available-for-sale	2,536,925	2,185,386	4,722,311	(67,723)	-	4,654,588
Financial investments held-to-maturity	7,922,570	117,169	8,039,739	-	-	8,039,739
Loans, advances and financing	38,548,822	32,036,096	70,584,918	-	303,095	70,888,013
Other assets	428,826	4,190,433	4,619,259	-	-	4,619,259
Derivative financial instruments	802,776	25,247	828,023	-	-	828,023
Amount due from subsidiaries	844,671	(116,814)	727,857	-	-	727,857
Statutory deposits with Bank Negara Malaysia	988,900	859,947	1,848,847	-	-	1,848,847
Investment in subsidiary companies	6,088,873	(4,053,197)	2,035,676	-	-	2,035,676
Investment in jointly controlled entity	76,711	-	76,711	-	-	76,711
Investment in associated company	946,505	-	946,505	-	-	946,505
Property and equipment	349,445	269,396	618,841	-	-	618,841
Intangible assets	59,536	368,125	427,661	-	-	427,661
Goodwill	-	1,771,547	1,771,547	-	-	1,771,547
Deferred tax assets	102,281	(87,226)	15,055	(3,277)	(11,778)	-
<b>Total assets</b>	<b>87,650,089</b>	<b>46,853,799</b>	<b>134,503,888</b>	<b>(3,277)</b>	<b>291,317</b>	<b>134,791,928</b>
<b>Liabilities</b>						
Deposits from customers	65,924,094	35,246,138	101,170,232	-	-	101,170,232
Deposits and placements of banks and other financial institutions	5,820,144	4,976,802	10,796,946	-	-	10,796,946
Bills and acceptances payable	350,474	276,461	626,935	-	-	626,935
Derivative financial instruments	672,967	32,094	705,061	-	-	705,061
Other liabilities	1,912,498	4,424,452	6,336,950	-	-	6,336,950
Senior bonds	910,810	-	910,810	-	-	910,810
Tier 2 subordinated bonds	1,713,260	1,196,973	2,910,233	-	-	2,910,233
Tier 2 capital cumulative subordinated loan	2,314,080	-	2,314,080	-	-	2,314,080
Non-innovative Tier 1 stapled securities	1,405,706	-	1,405,706	-	-	1,405,706
Innovative Tier 1 capital securities	-	597,816	597,816	-	-	597,816
Taxation	58,930	103,063	161,993	(3,277)	-	158,716
Deferred tax liabilities	-	-	-	-	63,995	63,995
<b>Total liabilities</b>	<b>81,082,963</b>	<b>46,853,799</b>	<b>127,936,762</b>	<b>(3,277)</b>	<b>63,995</b>	<b>127,997,480</b>
<b>Equity</b>						
Share capital	1,580,107	-	1,580,107	-	-	1,580,107
Reserves	5,658,763	-	5,658,763	-	227,322	5,886,085
Less: Treasury shares	(671,744)	-	(671,744)	-	-	(671,744)
<b>Total equity</b>	<b>6,567,126</b>	<b>-</b>	<b>6,567,126</b>	<b>-</b>	<b>227,322</b>	<b>6,794,448</b>
<b>Total equity and liabilities</b>	<b>87,650,089</b>	<b>46,853,799</b>	<b>134,503,888</b>	<b>(3,277)</b>	<b>291,317</b>	<b>134,791,928</b>
<b>Commitments and contingencies</b>	<b>115,912,569</b>	<b>24,382,968</b>	<b>140,295,537</b>	<b>-</b>	<b>-</b>	<b>140,295,537</b>

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**A32 Change in accounting policy and restatement of comparatives (continued)**

A summary of the financial impact of the change in accounting policy and restatement of comparatives of the Group and the Bank are as follows: (continued)

<b>Bank</b>	<b>As previously reported RM'000</b>	<b>Vesting of assets and liabilities of Promino RM'000</b>	<b>As at 1 July 2011 RM'000</b>	<b>Effect of adopting MFRS 1 RM'000</b>	<b>Effect of adopting MFRS 139 RM'000</b>	<b>As restated RM'000</b>
<b>As at 1 July 2011</b>						
<b>Statement of financial position</b>						
Loans, advances and financing of which:						
- Gross loans, advances and financing	39,415,981	33,329,553	72,745,534	-	-	72,745,534
- Collective impairment allowances	(726,970)	(791,101)	(1,518,071)	-	303,095	(1,214,976)
- Individual impairment allowances	(154,627)	(492,209)	(646,836)	-	-	(646,836)
<b>Statement of changes in equity</b>						
Retained profits	3,212,562	-	3,212,562	(9,832)	227,322	3,430,052
Fair value reserve	107,652	-	107,652	9,832	-	117,484

<b>Group</b>	<b>As previously reported RM'000</b>	<b>MFRS 3 adjustment RM'000</b>	<b>Effect of adopting MFRS 1 RM'000</b>	<b>Effect of adopting MFRS 139 RM'000</b>	<b>As restated RM'000</b>
<b>For the financial period ended 30 September 2011</b>					
<b>Statement of changes in equity</b>					
Retained profits	5,650,363	(7,551)	(18,301)	198,819	5,823,330
Fair value reserve	81,405	-	18,301	-	99,706
<b>Statement of income</b>					
Non-interest income	176,439	-	(11,292)	-	165,147
Net unrealised gain/(loss) on revaluation of financial assets held-for-trading	8,510	-	(11,292)	-	(2,782)
Overhead expenses	(435,621)	(10,068)	-	-	(445,689)
Establishment cost					
Depreciation of property and equipment	(28,169)	3,610	-	-	(24,559)
Amortisation of intangible assets	(4,985)	(13,678)	-	-	(18,663)
Allowance for impairment losses					
on loans, advances and financing	(23,082)	-	-	11,267	(11,815)
- collective assessment allowance	(108,047)	-	-	11,267	(96,780)
Taxation	(116,708)	2,517	2,823	(2,817)	(114,185)

<b>Bank</b>	<b>As previously reported RM'000</b>	<b>MFRS 3 adjustment RM'000</b>	<b>Effect of adopting MFRS 1 RM'000</b>	<b>Effect of adopting MFRS 139 RM'000</b>	<b>As restated RM'000</b>
<b>For the financial period ended 30 September 2011</b>					
<b>Statement of changes in equity</b>					
Retained profits	3,521,503	(7,551)	(18,301)	216,253	3,711,904
Fair value reserve	85,540	-	18,301	-	103,841
<b>Statement of income</b>					
Non-interest income	173,600	-	(11,292)	-	162,308
Net unrealised gain/(loss) on revaluation of financial assets held-for-trading	8,510	-	(11,292)	-	(2,782)
Overhead expenses	(382,651)	(10,068)	-	-	(392,719)
Establishment cost					
Depreciation of property and equipment	(26,601)	3,469	-	-	(23,132)
Amortisation of intangible assets	(4,787)	(13,537)	-	-	(18,324)
Allowance for impairment losses					
on loans, advances and financing:	(11,314)	-	-	(14,758)	(26,072)
- collective assessment allowance	(92,694)	-	-	(14,758)	(107,452)
Taxation	(102,932)	2,517	2,823	3,689	(93,903)

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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 RM637.5 million for the current financial quarter ended 30 September 2012, an increase of RM123.7 million or 24.1% as compared to previous restated corresponding quarter. The increase in pre-tax profit was mainly due to higher net income of RM97.1 million, lower other operating expenses of RM2.8 million and lower allowance for impaired loans of RM26.5 million. This was offset by lower write back of impairment losses of RM2.5 million.

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

Personal Financial Services

The Personal Financial Services's segment recorded a pre-tax profit of RM306.5 million for the 1st quarter ended September 2012 as compared to previous restated corresponding quarter of RM297.8 million.

Personal Financial Services's loan base has grown from RM61.3 billion in September 2011 to RM63.9 billion in September 2012.

Business and Corporate Banking

The Business and Corporate Banking's segment recorded a pre-tax profit of RM155.3 million for the 1st quarter ended September 2012 as compared to previous restated corresponding quarter of RM123.2 million.

The improvement are mainly contributed by higher loan and deposit base in the current period ended September 2012. Business and Corporate Banking's loan base increased from RM23.9 billion in September 2011 to RM 27.9 billion in September 2012. As a result, total income increased from RM186.7 million to RM234.4 million. Furthermore, the increase in pre-tax profit is also contributed by the higher non-interest income.

Global Markets

The Global Market's segment recorded a pre-tax profit of RM114.0 million for the 1st quarter ended September 2012 as compared to previous restated corresponding quarter of RM37.2 million.

Treasury earning assets has grown from RM48.9 billion in September 2011 to RM55.5 billion in September 2012. Higher non-interest income was mainly due to higher mark-to-market on interest rates derivatives in the current period and higher gain on foreign currency bond.

**B2 Current Quarter vs. Preceding Quarter**

For the current financial quarter, the Group recorded a pre-tax profit of RM637.5 million as compared to RM503.4 million in the preceding quarter, an increase of RM134.0 million mainly from higher net income of RM36.6 million, lower allowance for impaired loans of RM81.5 million, lower other operating expenses of RM33.2 million and higher share of profit from Bank of Chengdu of RM1.9 million. This is however offset by lower write back of impairment losses of RM19.1 million.

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**B3 Current year prospects**

The Group will continue to pursue its balanced growth agenda and explore regional opportunities in ASEAN. With customer focus as part of our long term agenda, we will continue to deliver value added services to our customers through effective transformation and differentiated banking services, in both conventional distribution and innovative digital channels. We will further enhance our efficiency through prudent information management to minimise risk, at the same time, realise synergies from our post-merger integrated businesses and position ourselves for future growth.

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

This note is not applicable to the Group.

**B5 Taxation**

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	RM'000	Restated RM'000	RM'000	Restated RM'000
<b>The Group</b>				
Malaysian income tax	159,413	118,496	159,413	118,496
Oversea tax	-	-	-	-
	<u>159,413</u>	<u>118,496</u>	<u>159,413</u>	<u>118,496</u>
Transfer from/(to) deferred taxation	372	(4,311)	372	(4,311)
	<u>159,785</u>	<u>114,185</u>	<u>159,785</u>	<u>114,185</u>

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	RM'000	Restated RM'000	RM'000	Restated RM'000
<b>The Bank</b>				
Malaysian income tax	139,787	96,498	139,787	96,498
Oversea tax	-	-	-	-
	<u>139,787</u>	<u>96,498</u>	<u>139,787</u>	<u>96,498</u>
Transfer from/(to) deferred taxation	(3,647)	(2,595)	(3,647)	(2,595)
	<u>136,140</u>	<u>93,903</u>	<u>136,140</u>	<u>93,903</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 26 July 2012, Hong Leong Bank Berhad ("HLB") proposed to establish a new executive share option scheme 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 ("Bursa Securities") 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 ("Proposed Listing of New Shares"); and
- (ii) approval of the shareholders of HLB.

Bursa Securities had, via its letter dated 18 September 2012, resolved to approve the Proposed Listing of New Shares and the shareholders of HLB had, at the Annual General Meeting held on 25 October 2012, approved the Proposed New ESOS.

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**B9 Off-balance sheet financial instruments**

Details of financial instruments with off-balance sheet risk as at 30 September 2012

**The Group**

	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
Forwards			
(i) Less than 1 year	18,496,792	144,749	(148,240)
(ii) 1 year to 3 years	58,038	233	(526)
(iii) More than 3 years	-	-	-
Swaps			
(i) Less than 1 year	4,880,308	101,581	(46,171)
(ii) 1 year to 3 years	498,617	5,151	(2,302)
(iii) More than 3 years	2,413,133	44,185	(48,943)
Options			
(i) Less than 1 year	2,620,982	15,979	(15,276)
(ii) 1 year to 3 years	246,167	4,758	(4,758)
(iii) More than 3 years	-	-	-
Interest rate related contracts			
Futures			
(i) Less than 1 year	6,919,684	383	(2,015)
(ii) 1 year to 3 years	350,000	4	(405)
(iii) More than 3 years	50,000	118	-
Swaps			
(i) Less than 1 year	11,201,853	23,763	(54,732)
(ii) 1 year to 3 years	25,086,066	99,764	(139,233)
(iii) More than 3 years	28,197,049	484,459	(485,004)
Equity related contracts			
(i) Less than 1 year	98,410	1,037	(1,037)
(ii) 1 year to 3 years	-	-	-
(iii) More than 3 years	-	-	-
<b>Total</b>	<b>101,117,099</b>	<b>926,164</b>	<b>(948,642)</b>

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

Details of financial instruments with off-balance sheet risk as at 30 September 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	17,965,983	140,327	(145,165)
(ii) 1 year to 3 years	58,038	233	(526)
(iii) More than 3 years	-	-	-
Swaps			
(i) Less than 1 year	4,862,519	101,275	(46,189)
(ii) 1 year to 3 years	4,088,321	84,666	(81,817)
(iii) More than 3 years	2,413,133	44,185	(48,943)
Options			
(i) Less than 1 year	2,620,982	15,979	(15,276)
(ii) 1 year to 3 years	246,167	4,758	(4,758)
(iii) More than 3 years	-	-	-
Interest rate related contracts			
Futures			
(i) Less than 1 year	6,919,684	383	(2,015)
(ii) 1 year to 3 years	350,000	4	(405)
(iii) More than 3 years	50,000	118	-
Swaps			
(i) Less than 1 year	11,161,853	23,763	(54,608)
(ii) 1 year to 3 years	24,886,066	99,764	(137,255)
(iii) More than 3 years	27,347,049	483,472	(474,453)
Equity related contracts			
(i) Less than 1 year	98,410	1,037	(1,037)
(ii) 1 year to 3 years	-	-	-
(iii) More than 3 years	-	-	-
<b>Total</b>	<b>103,068,205</b>	<b>999,964</b>	<b>(1,012,447)</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 RM894,842,083(FYE June 2012: RM681,275,001) and RM60,040,912,090 (FYE June 2012: RM57,680,193,113) 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 RM963,000,120 (FYE June 2012: RM987,969,092 ). 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*

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**

No interim dividend has been proposed for the current quarter.

**B12 Realised and Unrealised Profits**

	<b>The Group</b>	
	<b>Financial Period Ended 30/09/2012  RM'000</b>	<b>Financial Year Ended 30/06/2012 Restated RM'000</b>
Total retained profits of Hong Leong Bank Berhad and it's subsidiaries		
- Realised	4,092,436	3,599,048
- Unrealised	973,062	1,031,292
	5,065,498	4,630,340
Total share of retained profits from associated company		
- Realised	732,007	670,989
Total share of retained profits /(accumulated losses) from jointly controlled entity		
- Realised	906	160
	5,798,411	5,301,489
Less Consolidation Adjustment	5,496	54,751
Total Group's Retained Profit	5,803,907	5,356,240

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>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/09/2012</b>	<b>30/09/2011</b>	<b>30/09/2012</b>	<b>30/09/2011</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	477,634	399,540	477,634	399,540
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	(38,888)	(125,194)	(38,888)	(125,194)
	<u>1,751,735</u>	<u>1,454,913</u>	<u>1,751,735</u>	<u>1,454,913</u>
<b>Basic earnings per share (sen)</b>	27.3	27.5	27.3	27.5
<b><u>The Bank</u></b>				
Net profit attributable to shareholders of the company	397,065	278,849	397,065	278,849
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	(38,888)	(125,194)	(38,888)	(125,194)
	<u>1,751,735</u>	<u>1,454,913</u>	<u>1,751,735</u>	<u>1,454,913</u>
<b>Basic earnings per share (sen)</b>	22.7	19.2	22.7	19.2

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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.

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2012 RM'000	30/09/2011 RM'000	30/09/2012 RM'000	30/09/2011 RM'000
<b><u>The Group</u></b>				
Net profit attributable to shareholders of the company	477,634	399,540	477,634	399,540
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,751,735	1,454,913	1,751,735	1,454,913
- adjustment for ESOS	4,864	10,697	4,864	10,697
	1,756,599	1,465,610	1,756,599	1,465,610
<b>Fully diluted earnings per share (sen)</b>	27.2	27.3	27.2	27.3
<b><u>The Bank</u></b>				
Net profit attributable to shareholders of the company	397,065	278,849	397,065	278,849
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,751,735	1,454,913	1,751,735	1,454,913
- adjustment for ESOS	4,864	10,697	4,864	10,697
	1,756,599	1,465,610	1,756,599	1,465,610
<b>Fully diluted earnings per share (sen)</b>	22.6	19.0	22.6	19.0