

HONG LEONG BANK BERHAD

(97141-X)

(Incorporated in Malaysia)

Condensed Financial Statements

Unaudited Statements of Financial Position As At 31 December 2012

	Note	The Group			The Bank		
		As at	Restated	Restated	As at	Restated	Restated
		31/12/2012	As at	As at	31/12/2012	As at	As at
		30/06/2012	01/07/2011		30/06/2012	01/07/2011	
		RM'000	RM'000	RM'000	RM'000	RM'000	
ASSETS							
Cash and short-term funds		12,999,032	19,636,026	30,476,610	11,891,476	18,410,084	25,563,128
Deposits and placements with financial institutions		2,312,539	4,565,819	5,415,383	2,562,536	4,414,150	6,826,115
Securities purchased under resale agreements		1,015,634	590,521	86	1,015,634	590,521	86
Financial assets held for trading	A8	21,122,981	21,818,413	6,090,870	19,170,252	17,758,836	4,919,332
Financial investments available-for-sale	A9	12,493,008	9,862,750	5,939,912	10,591,958	8,335,278	4,654,588
Financial investments held-to-maturity	A10	4,090,875	3,670,198	7,787,412	3,448,539	3,814,884	8,039,739
Loans, advances and financing	A11	91,052,420	88,572,895	81,709,161	78,157,629	76,402,911	70,888,013
Other assets	A12	483,087	541,593	968,370	413,599	424,756	4,731,726
Derivative financial instruments		687,434	955,350	790,162	754,298	1,027,682	828,023
Amount due from subsidiaries		-	-	-	614,349	615,390	615,390
Statutory deposits with Bank Negara Malaysia		3,355,332	3,331,437	2,201,874	2,889,000	2,880,250	1,848,847
Investment in subsidiary companies		-	-	-	2,081,964	2,081,933	2,035,676
Investment in associated company		1,618,301	1,540,288	1,325,707	946,505	946,505	946,505
Investment in jointly controlled entity		77,782	76,871	75,252	76,711	76,711	76,711
Property and equipment		739,153	727,096	697,266	713,074	701,018	618,841
Intangible assets		404,225	446,497	379,422	396,530	437,850	427,661
Goodwill		1,831,312	1,831,312	1,831,312	1,771,547	1,771,547	1,771,547
Total Assets		154,283,115	158,167,066	145,688,799	137,495,601	140,690,306	134,791,928
LIABILITIES AND SHAREHOLDERS' FUNDS							
Deposits from customers	A13	123,835,091	123,095,643	114,856,543	109,313,744	108,939,695	101,170,232
Deposits and placements of banks and other financial institutions	A14	4,159,412	9,790,696	10,697,661	3,588,569	7,877,364	10,796,946
Obligations on securities sold under repurchase agreements		1,056,126	633,797	-	1,056,126	633,797	-
Bills and acceptances payable		669,574	486,091	683,996	617,938	434,780	626,935
Other liabilities	A15	2,734,668	2,739,688	2,934,132	2,484,299	2,664,418	6,336,950
Derivative financial instruments		763,018	1,069,227	666,706	823,237	1,125,756	705,061
Senior bonds	A16	1,839,464	1,907,793	910,810	1,839,464	1,907,793	910,810
Tier 2 subordinated bonds	A17	4,384,011	4,389,859	2,905,578	4,384,010	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	1,408,484	1,407,283	1,405,706	1,408,484	1,407,283	1,405,706
Innovative Tier 1 capital securities	A19	564,404	574,581	595,720	564,404	573,115	597,816
Provision for taxation		358,801	227,716	56,960	305,022	191,136	158,716
Deferred tax liabilities		147,152	140,533	2,773	146,135	143,101	63,995
Total Liabilities		141,920,205	146,462,907	138,030,665	126,531,432	130,287,489	127,997,480
Share Capital		1,879,909	1,879,909	1,580,107	1,879,909	1,879,909	1,580,107
Reserves		11,177,046	10,539,042	6,749,771	9,778,305	9,237,700	5,886,085
Less: Treasury Shares		(694,045)	(714,792)	(671,744)	(694,045)	(714,792)	(671,744)
Total Shareholders' Equity		12,362,910	11,704,159	7,658,134	10,964,169	10,402,817	6,794,448
Total Liabilities and Equity		154,283,115	158,167,066	145,688,799	137,495,601	140,690,306	134,791,928
COMMITMENTS AND CONTINGENCIES	A30	144,525,186	148,989,018	138,279,839	142,023,080	146,771,470	140,295,537
Net asset per share attributable to ordinary equity holders of the parent (RM) *		7.05	6.68	5.27	6.25	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 31 December 2012

	Note	The Group			
		Current Quarter Ended 31/12/2012 RM'000	Restated Corresponding Quarter Ended 31/12/2011 RM'000	Current Period Ended 31/12/2012 RM'000	Restated Corresponding Period Ended 31/12/2011 RM'000
Interest income	A20	1,368,408	1,334,393	2,746,841	2,663,020
Interest expense	A21	(752,811)	(664,847)	(1,507,295)	(1,349,217)
Net interest income		615,597	669,546	1,239,546	1,313,803
Net income from Islamic Banking business	A22	119,063	114,159	230,904	210,193
Other operating income	A23	269,710	215,766	536,448	380,913
Net Income		1,004,370	999,471	2,006,898	1,904,909
Other operating expenses	A24	(451,611)	(571,925)	(894,464)	(1,017,614)
Operating profit before allowances		552,759	427,546	1,112,434	887,295
Allowance for impairment losses on loans, advances and financing	A25	13,494	(28,826)	28,215	(40,641)
Write back of impairment losses		3,550	6,506	4,859	10,311
Share of profit after tax of equity accounted associated company		68,339	34,915	129,357	96,756
Share of profit after tax of equity accounted jointly controlled entity		165	(37)	911	131
Profit before taxation (and zakat)		638,307	440,104	1,275,776	953,852
Taxation		(130,266)	(91,008)	(290,051)	(205,193)
Zakat		(50)	(18)	(100)	(41)
Net profit for the period		507,991	349,078	985,625	748,618
Attributable to:					
Owners of the parent		507,991	349,078	985,625	748,618
Net profit for the period		507,991	349,078	985,625	748,618
Earnings per share - basic (sen)	B13	29.0	22.2	56.2	47.6
Earnings per share - fully diluted (sen)	B13	28.9	22.0	56.1	47.3

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 Statements of Comprehensive Income
For The Financial Quarter Ended 31 December 2012

	The Group			
	Current Quarter Ended 31/12/2012 RM'000	Restated Corresponding Quarter Ended 31/12/2011 RM'000	Current Period Ended 31/12/2012 RM'000	Restated Corresponding Period Ended 31/12/2011 RM'000
Net profit for the financial period	507,991	349,078	985,625	748,618
Other comprehensive income/(loss):				
Share of other comprehensive income of associate company and jointly controlled entity	-	-	(22)	(24)
Currency translation difference	719	(12,310)	(6,139)	(3,856)
Net fair value changes on financial investments available-for-sale	5,793	(4,231)	16,104	(20,648)
Income tax relating to components of other comprehensive (loss)/income	(1,448)	1,058	(4,026)	5,162
Other comprehensive income/(loss) for the financial period	5,064	(15,483)	5,917	(19,366)
Total comprehensive income for the financial period, net of tax	<u>513,055</u>	<u>333,595</u>	<u>991,542</u>	<u>729,252</u>
Attributable to:				
- Owners of the parent	<u>513,055</u>	<u>333,595</u>	<u>991,542</u>	<u>729,252</u>

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 31 December 2012

	Note	The Bank			
		Current	Restated	Current	Restated
		Quarter Ended 31/12/2012 RM'000	Corresponding Quarter Ended 31/12/2011 RM'000	Period Ended 31/12/2012 RM'000	Corresponding Period Ended 31/12/2011 RM'000
Interest income	A20	1,385,313	1,348,227	2,780,504	2,684,958
Interest expense	A21	(779,364)	(693,891)	(1,562,965)	(1,402,701)
Net interest income		605,949	654,336	1,217,539	1,282,257
Other operating income	A23	400,559	259,123	719,362	421,431
Net Income		1,006,508	913,459	1,936,901	1,703,688
Other operating expenses	A24	(392,924)	(506,210)	(784,453)	(898,929)
Operating profit before allowances		613,584	407,249	1,152,448	804,759
Allowance for impairment losses on loans, advances and financing	A25	23,064	(10,371)	16,096	(36,443)
Write back of impairment losses		3,550	6,506	4,859	7,820
Profit before taxation		640,198	403,384	1,173,403	776,136
Taxation		(168,313)	(103,143)	(304,453)	(197,046)
Profit after taxation		471,885	300,241	868,950	579,090
Profit attributable to shareholders		471,885	300,241	868,950	579,090
Earnings per share - basic (sen)	B13	26.9	19.1	49.6	36.8
Earnings per share - fully diluted (sen)	B13	26.8	19.0	49.4	36.6

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 Statements of Comprehensive Income
For The Financial Quarter Ended 31 December 2012

	The Bank			
	Current Quarter Ended 31/12/2012 RM'000	Restated Corresponding Quarter Ended 31/12/2011 RM'000	Current Period Ended 31/12/2012 RM'000	Restated Corresponding Period Ended 31/12/2011 RM'000
Net profit for the financial period	471,885	300,241	868,950	579,090
Other comprehensive income/(loss):				
Currency translation difference	77	-	11,238	(11,038)
Net fair value changes on financial investments available-for-sale	6,923	8,173	18,607	(10,017)
Income tax relating to components of other comprehensive income	(1,731)	(2,043)	(4,652)	2,504
Other comprehensive gain/(loss) for the financial period	5,269	6,130	25,193	(18,551)
Total comprehensive income for the financial period, net of tax	477,154	306,371	894,143	560,539

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

<u>The Group</u>	Attributable to owners of the parent									
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair Value Reserve RM'000	Share options Reserve RM'000	Regulatory Reserve * RM'000	Exchange Fluctuation Reserve RM'000	Retained Profit RM'000	Treasury Shares RM'000	Total Shareholders' Equity RM'000
Balance as at 1 July 2012	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
Balance as at 1 July 2012, as restated	1,879,909	2,832,383	2,149,801	192,870	22,483	6,045	(20,780)	5,356,240	(714,792)	11,704,159
<u>Comprehensive income</u>										
Net profit for the period/year	-	-	-	-	-	-	-	985,625	-	985,625
- Share of other comprehensive income of associates	-	-	-	(22)	-	-	-	-	-	(22)
- Net fair value changes in financial investments available-for-sale	-	-	-	12,078	-	-	-	-	-	12,078
- Currency translation difference	-	-	-	-	-	-	(6,139)	-	-	(6,139)
Total comprehensive income/(loss)	-	-	-	12,056	-	-	(6,139)	985,625	-	991,542
<u>Transactions with owners</u>										
Transfer to statutory reserve/regulatory reserve	-	-	54,755	-	-	-	-	(54,755)	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	(13)	(13)
Dividend paid	-	-	-	-	-	-	-	(355,251)	-	(355,251)
ESOS exercised	-	-	-	-	(2,536)	-	-	2,631	20,760	20,855
Option charge arising from ESOS granted	-	-	-	-	1,618	-	-	-	-	1,618
Total transactions with owners	-	-	54,755	-	(918)	-	-	(407,375)	20,747	(332,791)
Closing Balance @ 31 December 2012	1,879,909	2,832,383	2,204,556	204,926	21,565	6,045	(26,919)	5,934,490	(694,045)	12,362,910
Balance as at 1 July 2011	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
Balance as at 1 July 2011, as restated	1,580,107	539,664	1,936,654	112,043	21,121	726	(26,848)	4,166,411	(671,744)	7,658,134
<u>Comprehensive income</u>										
Net profit for the period	-	-	-	-	-	-	-	748,618	-	748,618
- Share of other comprehensive income of associates	-	-	-	(24)	-	-	-	-	-	(24)
- Net fair value changes in financial investments available-for-sale	-	-	-	(15,486)	-	-	-	-	-	(15,486)
- Currency translation difference	-	-	-	-	-	-	(3,856)	-	-	(3,856)
Total comprehensive income/(loss)	-	-	-	(15,510)	-	-	(3,856)	748,618	-	729,252
<u>Transactions with owners</u>										
Transfer to statutory reserve/regulatory reserve	-	-	158,647	-	-	5,376	-	(158,647)	-	5,376
Dividend paid	-	-	-	-	-	-	-	(196,625)	-	(196,625)
Purchase of treasury shares	-	-	-	-	-	-	-	-	(10)	(10)
Issuance of Rights Issue	299,802	2,292,987	-	-	-	-	-	-	(73,612)	2,519,177
ESOS exercised	-	-	-	-	(1,858)	-	-	3,036	12,680	13,858
Option charge arising from ESOS granted	-	-	-	-	3,321	-	-	-	-	3,321
Total transactions with owners	299,802	2,292,987	158,647	-	1,463	5,376	-	(352,236)	(60,942)	2,345,097
Closing Balance @ 31 December 2011	1,879,909	2,832,651	2,095,301	96,533	22,584	6,102	(30,704)	4,562,793	(732,686)	10,732,483

* 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.

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 Statement of Changes in Equity For The Financial Period Ended 31 December 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
The Bank									
Balance as at 1 July 2012	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
Balance as at 1 July 2012, as restated	<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	-	-	-	-	-	-	868,950	-	868,950
- Net fair value changes in financial investments available-for-sale	-	-	-	13,955	-	-	-	-	13,955
- Currency translation difference	-	-	-	-	-	11,238	-	-	11,238
Total comprehensive income/(loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,955</u>	<u>-</u>	<u>11,238</u>	<u>868,950</u>	<u>-</u>	<u>894,143</u>
<u>Transactions with owners</u>									
Dividend paid	-	-	-	-	-	-	(355,251)	-	(355,251)
Purchase of treasury shares	-	-	-	-	-	-	-	(13)	(13)
ESOS exercised	-	-	-	-	(2,536)	-	2,631	20,760	20,855
Options charge arising from ESOS granted	-	-	-	-	1,618	-	-	-	1,618
Total transactions with owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(918)</u>	<u>-</u>	<u>(352,620)</u>	<u>20,747</u>	<u>(332,791)</u>
Closing Balance @ 31 December 2012	<u>1,879,909</u>	<u>2,832,383</u>	<u>1,879,909</u>	<u>207,610</u>	<u>21,565</u>	<u>36,352</u>	<u>4,800,486</u>	<u>(694,045)</u>	<u>10,964,169</u>
Balance as at 1 July 2011	1,580,107	539,664	1,741,612	107,652	21,121	36,152	3,212,562	(671,744)	6,567,126
- Prior year adjustments	-	-	-	9,832	-	-	217,490	-	227,322
Balance as at 1 July 2011, as restated	<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	-	-	-	-	-	-	579,090	-	579,090
- Net fair value changes in financial investments available-for-sale	-	-	-	(7,513)	-	-	-	-	(7,513)
- Currency translation difference	-	-	-	-	-	(11,038)	-	-	(11,038)
Total comprehensive income/(loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,513)</u>	<u>-</u>	<u>(11,038)</u>	<u>579,090</u>	<u>-</u>	<u>560,539</u>
<u>Transactions with owners</u>									
Transfer to statutory reserve	-	-	138,297	-	-	-	(138,297)	-	-
Dividend paid	-	-	-	-	-	-	(196,625)	-	(196,625)
Purchase of treasury shares	-	-	-	-	-	-	-	(10)	(10)
Issuance of Rights Issue	299,802	2,292,987	-	-	-	-	-	(73,612)	2,519,177
ESOS exercised	-	-	-	-	(1,858)	-	3,036	12,680	13,858
Options charge arising from ESOS granted	-	-	-	-	3,321	-	-	-	3,321
Total transactions with owners	<u>299,802</u>	<u>2,292,987</u>	<u>138,297</u>	<u>-</u>	<u>1,463</u>	<u>-</u>	<u>(331,886)</u>	<u>(60,942)</u>	<u>2,339,721</u>
Closing Balance @ 31 December 2011	<u>1,879,909</u>	<u>2,832,651</u>	<u>1,879,909</u>	<u>109,971</u>	<u>22,584</u>	<u>25,114</u>	<u>3,677,256</u>	<u>(732,686)</u>	<u>9,694,708</u>

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 Condensed Statements of Cash Flows
For The Financial Period Ended 31 December 2012**

	The Group		The Bank	
	Financial Period Ended 31/12/2012 RM'000	Financial Period Ended 31/12/2011 RM'000	Financial Period Ended 31/12/2012 RM'000	Financial Period Ended 31/12/2011 RM'000
Profit before taxation and zakat	1,275,776	953,852	1,173,403	776,136
Adjustments for non-cash items	(120,495)	146,333	(163,661)	166,086
Operating profit before working capital changes	1,155,281	1,100,185	1,009,742	942,222
Changes in working capital:				
Net changes in operating assets	289,991	(12,452,949)	(1,519,155)	(7,365,936)
Net changes in operating liabilities	(4,598,104)	7,330,033	(3,845,500)	1,712,449
Income taxes and zakat paid	(187,877)	(133,891)	(149,587)	(122,880)
Net cash used in operating activities	<u>(3,340,709)</u>	<u>(4,156,622)</u>	<u>(4,504,500)</u>	<u>(4,834,145)</u>
Cash flows from investing activities				
Net purchases of financial investments available-for-sale	(2,405,973)	(2,375,991)	(2,041,945)	(2,456,976)
Net (purchases)/proceeds of financial investments held-to-maturity	(357,456)	1,971,758	439,317	1,422,508
Purchase of property and equipment	(64,749)	(128,954)	(62,336)	(120,303)
Proceeds from sale of property and equipment	1,721	1,009	1,618	5,031
(Purchase)/proceeds of intangible assets	(9,840)	(23,197)	(9,219)	19,865
Dividend received on financial investments available-for-sale and held-to-maturity	53,838	14,376	53,838	14,376
Dividend from associated company	70,361	2,379	70,361	2,379
Dividend from subsidiary company	-	-	111,239	46,000
Proceeds from sale of subsidiary companies	-	-	-	3,763,329
Net cash (used in)/generated from investing activities	<u>(2,712,098)</u>	<u>(538,620)</u>	<u>(1,437,127)</u>	<u>2,696,209</u>
Cash flows from financing activities				
Dividend paid	(355,251)	(196,625)	(355,251)	(196,625)
Repayment of Tier 2 capital cumulative subordinated loan	-	(2,300,000)	-	(2,300,000)
Issuance of Rights Shares	-	2,519,177	-	2,519,177
Purchase of treasury shares	(13)	(10)	(13)	(10)
Cash received from ESOS exercised	20,855	19,037	20,855	13,858
Interest paid on subordinated obligations	(173,467)	(165,038)	(183,338)	(135,927)
Net cash used in financing activities	<u>(507,876)</u>	<u>(123,459)</u>	<u>(517,747)</u>	<u>(99,527)</u>
Net decrease in cash and cash equivalents	(6,560,683)	(4,818,701)	(6,459,374)	(2,237,463)
Currency translation differences	(76,311)	40,385	(59,234)	32,903
Cash and cash equivalents at the beginning of financial period	19,636,026	30,476,610	18,410,084	25,563,128
Cash and cash equivalents at the end of financial period	12,999,032	25,698,294	11,891,476	23,358,568

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

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

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 31 DECEMBER 2012**

A1 Basis of preparation

The unaudited condensed financial statements for the financial period ended 31 December 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.

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

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 31 December 2012:-

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

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

a) Share Buy-back

During the financial period ended 31 December 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 31 December 2012 were as follows:

Month	No of shares bought back	Lowest price paid	Highest price paid	Average price paid	Total consideration (including transaction cost)
		RM	RM	RM	RM
Jul-12	1,000	13.48	13.48	13.48	13,538
Aug-12	-	-	-	-	-
Sep-12	-	-	-	-	-
Oct-12	-	-	-	-	-
Nov-12	-	-	-	-	-
Dec-12	-	-	-	-	-
For the year	1,000	13.48	13.48	13.48	13,538

The total number of Shares bought back, all of which were held as treasury shares as at 31 December 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 31 December 2012, the trust did not purchase any new shares. As at 31 December 2012, the total number of Treasury Shares for ESOS was 44,483,171 at an average carrying value of RM5.90 per share.

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

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.

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

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

During the financial period ended 31 December 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

A final dividend of 27.0 sen per share less income tax of 25% in respect of financial year ended 30 June 2012 amounting to RM355.3 million was paid on 20 November 2012.

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

A8 Financial assets held-for-trading

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 Restated RM'000	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 Restated RM'000
Money market instruments:				
Bank Negara Malaysia bills	9,963,496	11,044,525	7,870,159	7,386,564
Government treasury bills	138,681	253,388	138,681	253,388
Malaysian Government securities	436,095	236,879	436,095	236,879
Malaysian Government investment certificates	1,497,735	2,177,642	1,219,302	1,730,729
Bankers' acceptances and Islamic accepted bills	3,375,748	4,204,306	2,995,233	3,927,300
Negotiable instruments of deposit	4,268,174	2,975,604	5,085,099	3,378,954
Cagamas bonds	59,183	72,214	59,183	72,214
	19,739,112	20,964,558	17,803,752	16,986,028
Quoted securities:				
Shares in Malaysia	7,547	9,024	7,547	9,024
Shares outside Malaysia	70,027	64,431	70,027	64,431
Unquoted securities:				
Private and Islamic debt securities	1,001,912	422,489	986,137	341,442
Foreign currency bonds	304,383	357,911	302,789	357,911
Total financial assets held-for-trading	21,122,981	21,818,413	19,170,252	17,758,836

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.

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

A9 Financial investments available-for-sale

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 Restated RM'000	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 Restated RM'000
Money market instruments:				
Government treasury bills	359,351	375,160	359,351	375,160
Malaysian Government investment certificates	2,844,259	1,369,664	2,010,748	731,842
Negotiable instruments of deposit	110,555	11,826	111,235	12,658
Other Government securities	421,282	120,818	-	-
Cagamas bonds	781,425	624,625	653,861	471,885
	<u>4,516,872</u>	<u>2,502,093</u>	<u>3,135,195</u>	<u>1,591,545</u>
Quoted Securities:				
Shares in Malaysia	86,304	85,078	86,304	85,078
Loans stocks quoted in Malaysia	9,713	6,420	530	530
Wholesale fund	1,500,200	999,800	1,500,200	999,800
Unquoted securities:				
Private debt securities in Malaysia	2,666,412	2,848,788	2,222,610	2,316,113
Shares in Malaysia	307,977	307,517	307,908	307,448
Shares outside Malaysia	3,339	3,469	3,339	3,469
Foreign currency bonds in Malaysia	2,649,744	2,228,512	2,583,425	2,150,222
Foreign currency bonds outside Malaysia	752,447	881,073	752,447	881,073
Total financial investments available-for-sale	<u>12,493,008</u>	<u>9,862,750</u>	<u>10,591,958</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.

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

A10 Financial investments held-to-maturity

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
Money market instruments:				
Malaysian Government securities	1,591,809	1,867,919	1,591,809	1,867,919
Malaysian Government investment certificates	2,242,096	1,086,401	1,272,603	530,163
Cagamas bonds	76,920	248,101	35,721	206,773
Negotiable instruments of deposit	5,834	20,593	492,184	1,016,326
Other Government securities	16,911	151,958	2,562	2,578
	<u>3,933,570</u>	<u>3,374,972</u>	<u>3,394,879</u>	<u>3,623,759</u>
Unquoted securities in Malaysia:				
Loan stocks	174	306	174	306
Private and Islamic debt securities	103,645	195,694	-	91,593
Unquoted bonds	486	47,226	486	47,226
Investment in preference shares	53,000	52,000	53,000	52,000
	<u>157,305</u>	<u>295,226</u>	<u>53,660</u>	<u>191,125</u>
Total financial investments held-to-maturity	<u>4,090,875</u>	<u>3,670,198</u>	<u>3,448,539</u>	<u>3,814,884</u>

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

A11 Loans, advances and financing

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 Restated RM'000	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 Restated RM'000
Overdrafts	4,192,749	4,073,003	3,978,446	3,862,683
Term loans:				
- Housing and shop loans/financing	38,928,049	37,066,670	32,552,805	31,312,244
- Syndicated term loan/financing	5,450,424	5,302,510	5,002,903	4,866,398
- Hire purchase receivables	17,427,609	17,373,330	13,630,937	13,513,532
- Lease receivables	103,359	106,391	-	-
- Other term loans/financing	10,233,610	10,114,562	8,814,411	8,624,704
Credit/charge card receivables	4,190,112	4,233,382	4,190,112	4,233,382
Bills receivables	654,239	651,240	649,204	640,523
Trust receipts	297,489	342,745	292,647	333,701
Claims on customers under acceptance credits	6,992,138	7,251,829	6,410,649	6,870,319
Block discounting	6,420	6,582	6,420	6,582
Revolving credits	4,230,325	3,769,403	3,934,529	3,499,655
Staff loans:				
Staffs other than directors	219,756	241,500	207,240	226,439
Other loans/financing	31,117	37,919	28,339	33,097
Gross loans, advances and financing	<u>92,957,396</u>	<u>90,571,066</u>	<u>79,698,642</u>	<u>78,023,259</u>
Fair value changes arising from fair value hedges	2,789	23,852	4,188	16,722
Unamortised fair value changes arising from terminated fair value hedges	19,415	21,570	13,944	14,838
Allowance for impaired loans, advances and financing:				
- Collective assessment allowance	(1,448,255)	(1,501,615)	(1,150,809)	(1,188,198)
- Individual assessment allowance	(478,925)	(541,978)	(408,336)	(463,710)
Total net loans, advances and financing	<u><u>91,052,420</u></u>	<u><u>88,572,895</u></u>	<u><u>78,157,629</u></u>	<u><u>76,402,911</u></u>

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

A11 Loans, advances and financing (continued)

A11a By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
Domestic non-bank financial institutions	268,003	528,174	27,790	405,085
Domestic business enterprises:				
- small and medium enterprises	12,613,002	12,049,541	11,688,489	11,024,021
- others	19,384,755	19,804,343	17,354,594	17,902,314
Government and statutory bodies	19,835	26,256	13,856	20,272
Individuals	57,045,887	55,475,122	47,300,038	46,179,091
Other domestic entities	52,074	29,549	51,080	26,955
Foreign entities	3,573,840	2,658,081	3,262,795	2,465,521
Gross loans, advances and financing	<u>92,957,396</u>	<u>90,571,066</u>	<u>79,698,642</u>	<u>78,023,259</u>

A11b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
Fixed rate				
- Housing and shop loans/financing	3,243,757	2,997,728	1,867,384	1,688,490
- Hire purchase receivables	16,970,037	16,843,527	13,191,199	12,998,512
- Other fixed rate loan/financing	7,814,917	7,788,523	6,938,972	6,652,746
Variable rate				
- Base lending rate pegged	53,022,430	51,203,453	46,819,477	45,611,954
- Cost plus	11,660,022	11,482,332	10,782,795	10,829,309
- Other variables rates	246,233	255,503	98,815	242,248
Gross loans, advances and financing	<u>92,957,396</u>	<u>90,571,066</u>	<u>79,698,642</u>	<u>78,023,259</u>

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

A11 Loans, advances and financing (continued)

A11c By economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended	Financial Year Ended	Financial Period Ended	Financial Year Ended
	31/12/2012	30/06/2012	31/12/2012	30/06/2012
	RM'000	RM'000	RM'000	RM'000
Purchase of securities	1,043,946	1,030,125	1,036,195	1,029,928
Purchase of transport vehicles	17,353,137	17,251,679	13,559,755	13,400,268
Purchase of landed properties				
- residential	32,298,556	30,689,119	26,818,205	25,753,364
- non-residential	10,370,889	9,985,329	9,443,263	9,155,652
Purchase of fixed assets (excluding landed properties)	683,657	638,350	600,654	595,691
Personal use	3,537,097	3,576,501	2,713,432	2,664,505
Credit card	4,190,112	4,233,382	4,190,112	4,233,382
Purchase of consumer durables	82	103	77	95
Construction	1,000,860	924,674	962,862	890,836
Mergers and acquisition	585,347	388,832	585,347	388,832
Working capital	19,710,979	19,907,488	17,845,151	18,194,609
Others	2,182,734	1,945,484	1,943,589	1,716,097
Gross loans, advances and financing	<u>92,957,396</u>	<u>90,571,066</u>	<u>79,698,642</u>	<u>78,023,259</u>

A11d By geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended	Financial Year Ended	Financial Period Ended	Financial Year Ended
	31/12/2012	30/06/2012	31/12/2012	30/06/2012
	RM'000	RM'000	RM'000	RM'000
Malaysia	90,551,576	88,630,215	77,433,325	76,235,196
Singapore	2,258,402	1,767,575	2,265,317	1,767,575
Hong Kong	-	20,488	-	20,488
Vietnam	147,418	152,788	-	-
Gross loans, advances and financing	<u>92,957,396</u>	<u>90,571,066</u>	<u>79,698,642</u>	<u>78,023,259</u>

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

A11 Loans, advances and financing (continued)

A11e By residual contractual maturity

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
Within one year	25,591,096	25,774,287	23,802,010	24,202,531
One year to less than three years	7,382,141	7,140,438	6,201,730	5,904,892
Three years to less than five years	9,365,865	9,388,281	7,774,475	7,814,974
Five years and more	50,618,294	48,268,060	41,920,427	40,100,862
Gross loans, advances and financing	<u>92,957,396</u>	<u>90,571,066</u>	<u>79,698,642</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 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
Purchase of securities	6,795	9,941	6,753	9,899
Purchase of transport vehicles	241,405	216,114	192,614	170,994
Purchase of landed properties				
- residential	270,036	342,581	218,380	276,010
- non-residential	66,717	73,388	58,013	66,275
Purchase of fixed assets (excluding landed properties)	18,454	21,667	18,155	21,148
Personal use	92,677	86,654	79,836	78,392
Credit card	60,985	66,949	60,985	66,949
Purchase of consumer durables	6	7	6	7
Construction	12,591	26,388	10,950	24,627
Working capital	573,159	649,243	491,842	557,166
Others	41,780	39,082	41,470	38,719
	<u>1,384,605</u>	<u>1,532,014</u>	<u>1,179,004</u>	<u>1,310,186</u>

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

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 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
Malaysia	1,342,427	1,489,443	1,136,826	1,267,615
Singapore	42,178	42,571	42,178	42,571
	<u>1,384,605</u>	<u>1,532,014</u>	<u>1,179,004</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 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 31/12/2012 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	874,738	2,078,452	741,866	1,789,034
Performing during the financial period/ year	(502,677)	(1,081,218)	(412,786)	(893,761)
Amount written back in respect of recoveries	(280,821)	(800,135)	(247,534)	(712,422)
Amount written off	(236,563)	(584,256)	(212,757)	(477,386)
Exchange difference	(2,086)	3,770	29	790
As at end of the financial period/year	<u>1,384,605</u>	<u>1,532,014</u>	<u>1,179,004</u>	<u>1,310,186</u>
Gross impaired /non-performing loan as a % of gross loans advances and financing	<u>1.5%</u>	<u>1.7%</u>	<u>1.5%</u>	<u>1.7%</u>

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

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 31/12/2012 RM'000	Financial Year Ended 30/06/2012 Restated RM'000	Financial Period Ended 31/12/2012 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	435,569	794,400	348,834	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	(317,432)	(459,074)	(229,000)	(371,626)
Amount written off	(178,265)	(416,370)	(160,949)	(372,992)
Unwinding income	11,594	(8,819)	8,526	(7,871)
Exchange differences	(26)	469	-	495
As at end of the financial period/year	<u>1,448,255</u>	<u>1,501,615</u>	<u>1,150,809</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	38,656	61,155	37,408	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	(49,798)	(135,754)	(48,476)	(123,518)
Amount written off	(35,943)	(116,873)	(30,596)	(57,582)
Unwinding income	(5,844)	(9,716)	(5,701)	(9,407)
Exchange difference	(2,104)	5,794	11	490
As at end of the financial period/year	<u>478,925</u>	<u>541,978</u>	<u>408,336</u>	<u>463,710</u>

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

A12 Other assets

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 31/12/2012 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	97,386	129,262	94,800	100,258
Treasury related receivables	151,190	220,591	151,190	220,591
Other receivables	233,399	190,402	166,497	102,569
	<u>483,087</u>	<u>541,593</u>	<u>413,599</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 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
Fixed deposits	72,934,201	74,738,523	62,581,662	64,442,292
Negotiable instruments of deposit	8,503,289	5,828,928	8,825,343	6,437,718
	<u>81,437,490</u>	<u>80,567,451</u>	<u>71,407,005</u>	<u>70,880,010</u>
Demand deposits	17,015,094	14,675,678	14,641,330	12,298,456
Saving deposits	13,521,774	14,815,602	11,413,560	12,733,750
Short term corporate placement	11,589,072	12,641,446	11,589,072	12,641,446
Other	271,661	395,466	262,777	386,033
	<u>123,835,091</u>	<u>123,095,643</u>	<u>109,313,744</u>	<u>108,939,695</u>

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

A13 Deposits from customers (continued)

A13b By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
Government and statutory bodies	3,638,994	3,861,648	1,751,531	2,663,604
Business enterprises	56,763,884	57,508,742	47,742,956	48,251,587
Individuals	60,036,782	59,427,462	56,719,771	55,981,810
Others	3,395,431	2,297,791	3,099,486	2,042,694
	<u>123,835,091</u>	<u>123,095,643</u>	<u>109,313,744</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 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
Due within six months	59,553,532	60,720,326	50,158,670	52,158,890
More than six months to one year	18,032,037	14,405,933	17,415,217	13,307,454
More than one year to five years	3,851,921	5,441,192	3,833,118	5,413,666
	<u>81,437,490</u>	<u>80,567,451</u>	<u>71,407,005</u>	<u>70,880,010</u>

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

A14 Deposits and placements of banks and other financial institution

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
Licensed banks	3,638,719	7,813,440	3,588,569	7,422,996
Licensed investment banks	-	485,723	-	404,343
Licensed Islamic banks	520,693	1,441,508	-	-
Other financial institutions	-	50,025	-	50,025
	<u>4,159,412</u>	<u>9,790,696</u>	<u>3,588,569</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>4,159,412</u>	<u>9,790,696</u>	<u>3,588,569</u>	<u>7,877,364</u>

A15 Other liabilities

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
Zakat	319	200	-	-
Post employment benefits obligation				
- defined contribution plan	3,025	3,079	3,025	3,079
Loan advance payment	1,570,781	1,444,836	1,312,975	1,244,798
Amount due to Cagamas Berhad	175,957	179,719	175,957	179,719
Amount due to subsidiary companies	-	-	75,779	219,443
Treasury clearing	117	312	117	312
Cheque clearing	87,483	114,253	82,394	91,029
Treasury related payable	22,763	199,745	22,763	199,745
Sundry creditors & accruals	539,138	495,649	517,373	458,182
Provision for bonus and staff related expenses	70,966	124,500	66,369	119,508
Others	264,119	177,395	227,547	148,603
	<u>2,734,668</u>	<u>2,739,688</u>	<u>2,484,299</u>	<u>2,664,418</u>

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

A16 Senior bonds

		<u>The Group and The Bank</u>	
		Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
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		(750)	69,750
		<u>1,834,800</u>	<u>1,905,300</u>
Add: Interest payable		15,672	16,274
		<u>1,850,472</u>	<u>1,921,574</u>
Less: Unamortised discounts		(11,008)	(13,781)
		<u>1,839,464</u>	<u>1,907,793</u>

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

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

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

The Senior Notes will have a tenor of five years, maturing on 19 April 2017. The Senior Notes will pay a coupon of 3.125% per annum which is equivalent to a yield to investors of 3.269%.

A17 Subordinated bonds

		<u>The Group</u>		<u>The Bank</u>	
		Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
RM700 million Tier 2 subordinated debt, at par	(a)	700,000	700,000	700,000	700,000
Add: Interest payable		13,394	13,208	13,394	13,208
		<u>713,394</u>	<u>713,208</u>	<u>713,394</u>	<u>713,208</u>
Less: Unamortised discounts		(1,131)	(1,603)	(1,131)	(1,603)
		<u>712,263</u>	<u>711,605</u>	<u>712,263</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		6,793	6,555	6,793	6,555
		<u>1,006,793</u>	<u>1,006,555</u>	<u>1,006,793</u>	<u>1,006,555</u>
Less: Unamortised discounts		(1,848)	(2,436)	(1,848)	(2,436)
		<u>1,004,945</u>	<u>1,004,119</u>	<u>1,004,945</u>	<u>1,004,119</u>

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

A17 Subordinated bonds (continued)

		<u>The Group</u>		<u>The Bank</u>	
		<u>Financial Period Ended 31/12/2012 RM'000</u>	<u>Financial Year Ended 30/06/2012 RM'000</u>	<u>Financial Period Ended 31/12/2012 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		9,410	9,267	9,410	9,267
		<u>1,169,410</u>	<u>1,169,267</u>	<u>1,169,410</u>	<u>1,169,267</u>
Less: Unamortised discounts		(10,938)	(14,214)	(10,939)	(14,822)
Add: Fair value adjustments on completion of business combination accounting		9,515	18,000	9,515	18,000
		<u>1,167,987</u>	<u>1,173,053</u>	<u>1,167,986</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		1,479	1,664	1,479	1,664
		<u>1,501,479</u>	<u>1,501,664</u>	<u>1,501,479</u>	<u>1,501,664</u>
Less: Unamortised discounts		(2,663)	(582)	(2,663)	(582)
		<u>1,498,816</u>	<u>1,501,082</u>	<u>1,498,816</u>	<u>1,501,082</u>
		<u>4,384,011</u>	<u>4,389,859</u>	<u>4,384,010</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.

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

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>The Group and The Bank</u>	
	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
RM1.4 billion Non-Innovative Tier 1 stapled securities, at par	1,400,000	1,400,000
Add: Interest payable	11,041	10,653
	1,411,041	1,410,653
Less: Unamortised discounts	(2,557)	(3,370)
	1,408,484	1,407,283

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.

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

A19 Innovative Tier 1 capital securities

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 RM'000
RM500 million Innovative Tier 1 capital securities at par	500,000	500,000	500,000	500,000
Add: Interest payable	12,771	12,545	12,771	12,545
	512,771	512,545	512,771	512,545
Less: Unamortised discounts	(10,600)	(9,708)	(10,600)	(11,174)
Add: Fair value adjustments on completion of business combination accounting	62,233	71,744	62,233	71,744
	564,404	574,581	564,404	573,115

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.

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

A20 Interest income

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Group</u>				
Loan, advances and financing	994,897	990,411	1,983,967	1,983,779
Money at call and deposit placements with financial institutions	79,564	127,230	177,869	280,680
Securities purchased under resale agreements	6,250	598	11,974	939
Financial assets held-for-trading	184,451	110,826	370,714	195,478
Financial investments available-for-sale	77,345	51,999	151,661	84,877
Financial investments held-to-maturity	25,765	53,264	50,462	116,925
Others	136	65	194	342
	<u>1,368,408</u>	<u>1,334,393</u>	<u>2,746,841</u>	<u>2,663,020</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>7,090</u>	<u>3,748</u>	<u>13,710</u>	<u>6,509</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Bank</u>				
Loan, advances and financing	991,765	987,136	1,978,417	1,976,495
Money at call and deposit placements with financial institutions	81,868	117,212	180,790	264,221
Securities purchased under resale agreements	6,250	598	11,974	939
Financial assets held-for-trading	194,164	110,826	385,976	195,478
Financial investments available-for-sale	69,854	56,612	139,795	91,543
Financial investments held-to-maturity	29,778	63,976	60,213	132,442
Others	11,634	11,867	23,339	23,840
	<u>1,385,313</u>	<u>1,348,227</u>	<u>2,780,504</u>	<u>2,684,958</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>7,090</u>	<u>3,748</u>	<u>13,710</u>	<u>6,509</u>

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

A21 Interest expense

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Group</u>				
Deposits and placements of banks and other financial institutions	20,659	18,598	46,038	36,281
Deposits from customers	567,851	513,844	1,128,214	1,033,400
Short term corporate placements	73,696	62,339	153,959	122,014
Senior bonds	16,784	9,319	34,335	18,554
Tier-2 subordinated bonds	47,002	30,266	91,536	59,744
Tier-2 capital cumulative subordinated loan	-	5,100	-	28,503
Non-innovative Tier-1 stapled securities	18,213	18,326	36,454	36,679
Innovative Tier-1 capital securities	5,957	3,833	11,536	7,583
Others	2,649	3,222	5,223	6,459
	<u>752,811</u>	<u>664,847</u>	<u>1,507,295</u>	<u>1,349,217</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Bank</u>				
Deposits and placements of banks and other financial institutions	20,229	26,499	45,965	52,526
Deposits from customers	590,929	535,197	1,174,086	1,071,006
Short term corporate placements	73,696	62,339	153,959	122,014
Senior bonds	16,784	9,319	34,335	18,554
Tier-2 subordinated bonds	50,907	30,323	101,085	59,857
Tier-2 capital cumulative subordinated loan	-	5,100	-	28,503
Non-innovative Tier-1 stapled securities	18,213	18,326	36,454	36,679
Innovative Tier-1 capital securities	5,957	3,883	11,858	7,683
Others	2,649	2,905	5,223	5,879
	<u>779,364</u>	<u>693,891</u>	<u>1,562,965</u>	<u>1,402,701</u>

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

A22 Net income from Islamic Banking business

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Group</u>				
Income derived from investment of depositors' funds and others	194,486	225,812	410,710	447,590
of which Finance income	190,576	222,023	404,285	443,801
of which other operating income	3,910	3,789	6,425	3,789
Income derived from investment of shareholders' funds	36,901	15,900	44,130	23,831
of which Finance income	28,271	19,155	30,430	29,908
of which other operating income	8,630	(3,255)	13,700	(6,077)
Income attributable to depositors	(112,324)	(127,553)	(223,936)	(261,228)
	119,063	114,159	230,904	210,193

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

A23 Other operating income

Group	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM'000	Restated RM'000	RM'000	Restated RM'000
(a) Fee income:				
Commissions	33,248	29,371	66,290	57,845
Service charges and fees	13,524	12,269	22,873	23,688
Guarantee fees	7,562	4,394	13,237	9,610
Credit card related fees	70,476	72,150	135,808	138,370
Corporate advisory fees	1,214	1,428	1,665	3,437
Commitment fees	8,652	8,287	17,163	16,284
Fee on loans, advances and financing	15,845	17,654	34,737	34,418
Brokerage	-	1,336	-	4,230
Other fee income	(496)	7,935	6,801	17,584
	<u>150,025</u>	<u>154,824</u>	<u>298,574</u>	<u>305,466</u>
(b) Gain/(loss) arising from sale of financial assets:				
Net gain from sale of financial assets held-for-trading	12,565	3,738	24,226	8,807
Net gain/(loss) from sale of derivative financial instruments	(6,409)	37,849	3,973	67,527
Net gain from sale of financial investments available-for-sale	30,070	6,424	55,850	7,979
Net gain from redemption of financial investments held-to-maturity	23	1,231	8,401	2,051
	<u>36,249</u>	<u>49,242</u>	<u>92,450</u>	<u>86,364</u>
(c) Gross dividend income from:				
Financial investments available-for-sale	<u>14,688</u>	<u>13,051</u>	<u>26,919</u>	<u>14,376</u>

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

A23 Other operating income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM'000	Restated RM'000	RM'000	Restated RM'000
(d) <u>Net unrealised gain/(loss) on revaluation of:</u>				
- Financial assets held-for-trading	17,609	3,955	11,349	1,173
- Derivatives financial instruments	6,255	(36,862)	17,412	(100,285)
	<u>23,864</u>	<u>(32,907)</u>	<u>28,761</u>	<u>(99,112)</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>(5,168)</u>	<u>(6,314)</u>	<u>(10,155)</u>	<u>(11,001)</u>
(f) <u>Net unrealised gain/(loss) on fair value changes arising from fair value hedges</u>	<u>792</u>	<u>(4,862)</u>	<u>3,580</u>	<u>(9,421)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	42,670	35,537	83,812	80,145
Rental income	1,283	1,315	2,582	2,689
Gain on disposal of property and equipment (net)	687	507	818	681
Others	4,620	5,373	9,107	10,726
	<u>49,260</u>	<u>42,732</u>	<u>96,319</u>	<u>94,241</u>
Total other operating income	<u>269,710</u>	<u>215,766</u>	<u>536,448</u>	<u>380,913</u>

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

A23 Other operating income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM'000	Restated RM'000	RM'000	Restated RM'000
<u>Bank</u>				
(a) <u>Fee income:</u>				
Commissions	33,195	29,280	66,184	57,620
Service charges and fees	13,513	12,905	22,887	24,955
Guarantee fees	7,531	4,363	13,197	9,579
Credit card related fees	70,476	72,150	135,808	138,370
Corporate advisory fees	1,214	943	1,665	1,483
Commitment fees	8,652	8,294	17,167	16,299
Fee on loans, advances and financing	15,845	17,654	34,737	34,418
Other fee income	(530)	7,718	7,179	17,367
	<u>149,896</u>	<u>153,307</u>	<u>298,824</u>	<u>300,091</u>
(b) <u>Gain/(loss) arising from sale of financial assets:</u>				
Net gain from sale of financial assets held-for-trading	12,565	3,738	24,226	8,774
Net gain/(loss) from sale of derivative financial instruments	(6,409)	37,849	3,973	67,527
Net gain from sale of financial investments available-for-sale	30,070	4,969	55,832	6,318
Net gain from redemption of financial investments held-to-maturity	23	1,231	8,401	2,051
	<u>36,249</u>	<u>47,787</u>	<u>92,432</u>	<u>84,670</u>
(c) <u>Gross dividend income from:</u>				
Subsidiary companies	111,239	46,000	111,239	46,000
Associated company	19,017	-	70,361	2,379
Financial investments available-for-sale	14,688	13,051	26,919	14,376
	<u>144,944</u>	<u>59,051</u>	<u>208,519</u>	<u>62,755</u>

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

A23 Other operating income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM'000	Restated RM'000	RM'000	Restated RM'000
(d) <u>Net unrealised gain/(loss) on revaluation of:</u>				
- Financial assets held-for-trading	17,609	3,955	11,349	1,173
- Derivatives financial instruments	6,255	(36,862)	17,412	(100,285)
	<u>23,864</u>	<u>(32,907)</u>	<u>28,761</u>	<u>(99,112)</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>(4,229)</u>	<u>(3,664)</u>	<u>(8,128)</u>	<u>(6,665)</u>
(f) <u>Net unrealised gain/(loss) on fair value changes arising from fair value hedges</u>	<u>792</u>	<u>(4,862)</u>	<u>3,580</u>	<u>(9,421)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	42,454	32,686	83,066	74,237
Rental income	1,283	1,810	2,582	3,680
Gain on disposal of property and equipment (net)	687	507	818	680
Others	4,619	5,408	8,908	10,516
	<u>49,043</u>	<u>40,411</u>	<u>95,374</u>	<u>89,113</u>
Total other operating income	<u>400,559</u>	<u>259,123</u>	<u>719,362</u>	<u>421,431</u>

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

A24 Other operating expenses

<u>Group</u>	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM'000	Restated RM'000	RM'000	Restated RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	215,990	232,826	428,502	476,514
- Voluntary separation scheme (VSS) *	-	114,689	-	114,689
- Medical expenses	5,771	6,403	11,295	10,403
- Training and convention expenses	9,124	11,583	14,075	15,888
- Staff welfare	4,554	4,832	7,640	8,086
- Others	8,079	3,152	14,206	9,024
<u>Establishment costs</u>				
- Depreciation of property and equipment	23,466	24,815	51,169	49,374
- Amortisation of intangible assets	27,710	16,141	52,022	34,804
- Rental	19,927	18,132	40,226	35,974
- Information technology expenses	25,804	22,102	47,630	43,146
- Security services	9,111	6,851	14,582	13,117
- Electricity, water and sewerage	6,380	7,095	15,793	12,845
- Hire of plant and machinery	2,868	4,394	6,752	6,741
- Others	5,970	5,067	11,432	10,736
<u>Marketing expenses</u>				
- Advertisement and publicity	9,407	3,033	16,936	3,925
- Credit card related fees	16,114	8,656	31,962	29,030
- Others	3,262	10,299	7,185	13,449
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,616	3,044	7,203	7,724
- Stationery & printing	3,831	4,979	8,061	9,928
- Professional fees	16,397	25,874	36,518	38,845
- Insurance fees	4,227	6,276	8,471	10,847
- Stamp, postage and courier	5,515	6,901	12,256	12,746
- Credit card fees	17,278	16,423	33,544	32,281
- Travelling and transport expenses	2,062	1,731	3,464	3,378
- Registration and license fees	1,262	1,364	2,437	2,386
- Brokerage and commission	835	1,170	2,096	2,169
- Others	3,051	4,093	9,007	9,565
	<u>451,611</u>	<u>571,925</u>	<u>894,464</u>	<u>1,017,614</u>

* In FY 2012, Hong Leong Bank had implemented a Voluntary Separation Scheme (VSS). This scheme was introduced as part of the Bank's effort to enhance productivity and efficiency within the organization, as well as an opportunity and option for staff who have expressed their desire for a change such as starting up own business, further studies, early retirement, change of work environment and pursue personal interest.

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

A24 Other operating expenses (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM'000	Restated RM'000	RM'000	Restated RM'000
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	181,167	197,305	362,605	406,123
- Voluntary separation scheme (VSS) *	-	99,442	-	99,442
- Medical expenses	4,829	4,649	9,484	8,278
- Training and convention expenses	8,175	10,223	12,575	14,149
- Staff welfare	3,780	3,775	6,297	6,772
- Others	6,702	3,878	11,411	8,303
<u>Establishment costs</u>				
- Depreciation of property and equipment	22,327	23,480	49,070	46,612
- Amortisation of intangible assets	26,978	18,655	50,539	36,979
- Rental	16,438	16,180	33,087	30,810
- Information technology expenses	22,370	21,275	41,855	40,863
- Security services	8,244	5,980	12,655	11,586
- Electricity, water and sewerage	6,024	6,556	15,114	11,723
- Hire of plant and machinery	3,107	4,171	6,151	6,483
- Others	390	1,734	901	3,296
<u>Marketing expenses</u>				
- Advertisement and publicity	6,834	1,692	14,039	2,132
- Credit card related fees	16,114	8,656	31,962	29,030
- Others	3,034	9,574	6,921	12,255
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,537	2,911	7,398	7,333
- Stationery & printing	3,736	4,777	7,943	9,477
- Professional fees	15,506	23,403	35,238	36,035
- Insurance fees	3,072	5,584	6,765	9,940
- Stamp, postage and courier	5,447	5,971	12,171	11,495
- Credit card fees	17,278	16,423	33,544	32,281
- Travelling and transport expenses	1,781	1,452	2,879	2,812
- Registration and license fees	1,213	1,194	2,340	2,131
- Brokerage and commission	756	1,071	1,927	1,991
- Others	4,085	6,199	9,582	10,598
	<u>392,924</u>	<u>506,210</u>	<u>784,453</u>	<u>898,929</u>

* In FY 2012, Hong Leong Bank had implemented a Voluntary Separation Scheme (VSS). This scheme was introduced as part of the Bank's effort to enhance productivity and efficiency within the organization, as well as an opportunity and option for staff who have expressed their desire for a change such as starting up own business, further studies, early retirement, change of work environment and pursue personal interest.

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

A25 Allowance for impairment losses on loans, advances and financing

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM'000	Restated RM'000	RM'000	Restated RM'000
<u>Group</u>				
Allowance for impairment losses on loans, advances and financing:				
- collective assessment allowance	61,322	149,648	118,137	246,428
- individual assessment allowance	(3,226)	(34,116)	(11,142)	(43,243)
Impaired loans and financing written off	5,364	2,030	10,114	4,149
Impaired loans and financing recovered	(76,954)	(88,736)	(145,324)	(166,693)
	<u>(13,494)</u>	<u>28,826</u>	<u>(28,215)</u>	<u>40,641</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM'000	Restated RM'000	RM'000	Restated RM'000
<u>Bank</u>				
Allowance for impairment losses on loans, advances and financing:				
- collective assessment allowance	48,209	127,861	119,834	235,313
- individual assessment allowance	(3,619)	(34,059)	(11,068)	(42,703)
Impaired loans and financing written off	4,804	1,881	9,223	3,902
Impaired loans and financing recovered	(72,458)	(85,312)	(134,085)	(160,069)
	<u>(23,064)</u>	<u>10,371</u>	<u>(16,096)</u>	<u>36,443</u>

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

A26 Capital adequacy

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 Restated * RM'000	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 Restated * RM'000
<u>Components of Tier-1 and Tier-2 Capital</u>				
Tier-1 capital				
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	5,934,490	5,356,240	4,800,486	4,284,156
Other reserves	2,205,247	2,157,549	1,937,826	1,927,506
Non-innovative Tier-1 stapled securities	1,397,443	1,396,630	1,397,443	1,396,630
Innovative Tier-1 capital securities	489,400	490,292	489,400	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)
Total Tier-1 capital	12,213,515	11,566,899	10,871,855	10,323,071
Tier-2 capital				
Collective assessment allowance ^	901,121	932,830	711,389	735,127
Subordinated bonds	4,343,419	4,341,165	4,343,419	4,340,557
Total Tier-2 capital	5,244,540	5,273,995	5,054,808	5,075,684
Total capital	17,458,055	16,840,894	15,926,663	15,398,755
Less: Investment in subsidiary companies	-	-	(2,081,964)	(2,081,933)
Less: Investment in associated company	(1,618,301)	(1,540,288)	(946,505)	(946,505)
Less: Investment in jointly controlled entity	(77,782)	(76,871)	(76,711)	(76,711)
Total capital base	15,761,972	15,223,735	12,821,483	12,293,606
<u>Before deducting proposed dividends</u>				
Core capital ratio	12.81%	11.95%	12.95%	12.04%
Risk-weighted capital ratio	16.54%	15.73%	15.27%	14.34%
<u>After deducting proposed dividends</u>				
Core capital ratio	12.61%	11.58%	12.71%	11.61%
Risk-weighted capital ratio	16.33%	15.35%	15.03%	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.

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

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)
As at 31 December 2012	
<u>Before deducting proposed</u>	
<u>dividends:</u>	
Core capital ratio	9.52%
Risk-weighted capital ratio	<u>13.39%</u>
<u>After deducting proposed</u>	
<u>dividends:</u>	
Core capital ratio	9.52%
Risk-weighted capital ratio	<u>13.39%</u>
As at 30 June 2012 (Restated)	
<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.

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

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 31/12/2012 RM'000	Financial Year Ended 30/06/2012 Restated RM'000	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 Restated RM'000
Risk-weighted assets for credit risk	86,251,659	87,930,928	75,810,969	77,805,312
Risk-weighted assets for market risk	3,042,386	3,501,182	3,034,039	3,300,893
Risk-weighted assets for operational risk	6,019,208	5,344,452	5,125,802	4,639,177
Total risk-weighted assets	<u>95,313,253</u>	<u>96,776,562</u>	<u>83,970,810</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.

The profit after tax of the Group and the Bank for the half year ended 31 December 2012, had been subjected to a limited review by our external auditors. As such the Group's and the Bank's profit after tax for the half year ended 31 December 2012 have been included in the capital base used in the computation of the Group's and the Bank's Capital Adequacy Ratios respectively.

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

A27 Group segmental reporting on revenue, profit and assets

	Financial quarter ended 31/12/2012					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	
<u>By business segment</u>						
External revenue	584,940	109,233	310,197	-	-	1,004,370
Inter-segment revenue	27,960	116,647	(144,607)	-	-	-
Segment revenue	<u>612,900</u>	<u>225,880</u>	<u>165,590</u>	<u>-</u>	<u>-</u>	<u>1,004,370</u>
Segment profit before taxation	272,763	174,796	122,244	-	-	569,803
Share of profit after tax of equity accounted associated company					68,339	68,339
Share of profit after tax of equity accounted jointly controlled entity					165	165
Profit before taxation and zakat						<u>638,307</u>
Taxation and zakat						<u>(130,316)</u>
Profit after taxation						<u><u>507,991</u></u>

	Financial period ended 31/12/2012					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	
<u>By business segment</u>						
External revenue	1,168,617	192,102	646,179	-	-	2,006,898
Inter-segment revenue	57,274	272,058	(329,332)	-	-	-
Segment revenue	<u>1,225,891</u>	<u>464,160</u>	<u>316,847</u>	<u>-</u>	<u>-</u>	<u>2,006,898</u>
Segment profit before taxation	579,228	330,080	236,200	-	-	1,145,508
Share of profit after tax of equity accounted associated company					129,357	129,357
Share of profit after tax of equity accounted jointly controlled entity					911	911
Profit before taxation and zakat						<u>1,275,776</u>
Taxation and zakat						<u>(290,151)</u>
Profit after taxation						<u><u>985,625</u></u>
Segment assets	64,383,678	27,415,476	53,141,719	-	-	144,940,873
Unallocated assets						<u>9,342,242</u>
Total assets						<u><u>154,283,115</u></u>

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

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

	Corresponding quarter ended 31/12/2011 (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	
<u>By business segment</u>						
External revenue	614,751	89,094	291,671	3,955	-	999,471
Inter-segment revenue	4,391	113,758	(118,149)	-	-	-
Segment revenue	<u>619,142</u>	<u>202,852</u>	<u>173,522</u>	<u>3,955</u>	<u>-</u>	<u>999,471</u>
Segment profit before taxation	160,590	167,382	88,308	(11,054)	-	405,226
Share of profit after tax of equity accounted associated company					34,915	34,915
Share of profit after tax of equity accounted jointly controlled entity					(37)	(37)
Profit before taxation and zakat						440,104
Taxation and zakat						(91,026)
Profit after taxation						<u>349,078</u>

	Corresponding financial period ended 31/12/2011 (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	
<u>By business segment</u>						
External revenue	1,263,656	146,242	482,203	12,808	-	1,904,909
Inter-segment revenue	(11,714)	243,340	(231,626)	-	-	-
Segment revenue	<u>1,251,942</u>	<u>389,582</u>	<u>250,577</u>	<u>12,808</u>	<u>-</u>	<u>1,904,909</u>
Segment profit before taxation	458,406	290,624	125,528	(17,593)	-	856,965
Share of profit after tax of equity accounted associated company					96,756	96,756
Share of profit after tax of equity accounted jointly controlled entity					131	131
Profit before taxation and zakat						953,852
Taxation and zakat						(205,234)
Profit after taxation						<u>748,618</u>
Segment assets	61,321,380	23,680,448	59,199,540	359,435	-	144,560,803
Unallocated assets						9,241,214
Total assets						<u>153,802,017</u>

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

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 period ended 31 December 2012.

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.
- (b) On 30 November 2012, HLB announced that the liquidator of Perkasa Nominees (Tempatan) Sdn Bhd and PFB Asa Berhad ("Subsidiaries"), wholly-owned subsidiaries of HLB, had convened final meetings for the respective Subsidiaries to conclude the member's voluntary winding-up of the respective Subsidiaries.

The Return by Liquidator Relating to Final Meeting of the respective Subsidiaries was lodged on 30 November 2012 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, the Subsidiaries will be dissolved.

- (c) On 31 January 2013, HLB announced that the liquidator of EFB Berhad ("EFB"), wholly-owned subsidiary of HLB, had convened final meeting for the EFB to conclude the member's voluntary winding-up of EFB.

The Return by Liquidator Relating to Final Meeting of EFB was lodged on 31 January 2013 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, EFB will be dissolved.

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

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 31/12/2012			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
The Group						
Direct credit substitutes	537,065	537,063	471,343	444,051	444,051	403,746
Certain transaction related contingent items	1,509,733	754,866	739,035	1,410,727	705,363	667,229
Short term self liquidating trade related contingencies	753,252	150,650	145,899	1,557,667	311,533	304,601
Forward asset purchases	30,218	30,218	6,044	71,513	71,513	14,303
Irrevocable commitments to extend credit:						
- maturity more than one year	13,788,577	6,892,931	5,681,241	12,720,869	6,360,277	5,377,784
- maturity less than one year	18,476,590	3,692,672	3,116,358	17,750,840	3,549,668	2,991,929
Foreign exchange related contracts:						
- less than one year	27,083,216	476,625	246,865	37,767,414	605,763	260,715
- one year to less than five years	2,443,125	269,508	116,002	1,174,381	140,359	80,086
- five years and above	584,078	56,209	44,799	686,519	139,323	86,814
Interest rate related contracts:						
- less than one year	17,826,621	37,816	17,366	13,416,046	43,810	20,081
- one year to less than five years	38,320,374	1,003,317	470,754	41,967,670	1,326,970	635,849
- five years and above	14,781,311	1,328,911	664,656	10,741,653	1,069,531	540,557
Equity related contracts:						
- less than one year	82,658	6,270	4,514	69,293	4,953	3,283
- one year to less than five years	-	-	-	9,748	780	390
Unutilised credit card lines	8,308,368	1,661,674	1,248,406	9,200,627	1,840,125	1,380,420
Total	144,525,186	16,898,730	12,973,282	148,989,018	16,614,019	12,767,787

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

A30 Commitments and contingencies (continued)

	Financial Period Ended 31/12/2012			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
The Bank						
Direct credit substitutes	531,690	531,689	465,969	435,503	435,503	395,198
Certain transaction related contingent items	1,430,807	715,403	699,572	1,336,034	668,017	629,882
Short term self liquidating trade related contingencies	740,685	148,137	143,388	1,534,557	306,911	299,979
Forward asset purchases	30,218	30,218	6,044	71,513	71,513	14,303
Irrevocable commitments to extend credit:						
- maturity more than one year	10,680,076	5,340,038	4,416,110	9,341,832	4,670,916	3,933,182
- maturity less than one year	17,350,333	3,470,067	2,909,412	16,631,310	3,326,262	2,783,647
Foreign exchange related contracts:						
- less than one year	30,002,736	657,782	432,863	37,673,453	605,763	260,715
- one year to less than five years	2,443,125	269,508	116,002	4,795,712	430,557	370,284
- five years and above	584,078	56,209	44,799	686,519	139,323	86,814
Interest rate related contracts:						
- less than one year	17,786,621	37,776	17,346	13,376,046	43,710	20,031
- one year to less than five years	37,720,374	986,347	462,272	41,367,670	1,310,270	627,502
- five years and above	14,331,311	1,301,313	650,857	10,241,653	1,040,531	526,057
Equity related contracts:						
- less than one year	82,658	6,270	4,514	69,293	4,953	3,283
- one year to less than five years	-	-	-	9,748	780	390
Unutilised credit card lines	8,308,368	1,661,674	1,248,406	9,200,627	1,840,125	1,380,420
Total	142,023,080	15,212,431	11,617,554	146,771,470	14,895,134	11,331,687

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.

a) Connected Parties (CP) Exposures as at 31 December 2012

	The Group RM'000	The Bank RM'000
Aggregate Value of Outstanding Credit Exposures with Connected Parties	4,914,745	4,896,807
Outstanding Credit Exposures to Connected Parties as a Proportion of Total Credit Exposures (%)	4.5%	5.2%
Outstanding Credit Exposures with Connected Parties Which is Non-Performing or in Default as a Proportion of Total Credit Exposures (%)	0.001%	0.001%

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

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

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.

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

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

Group	As previously reported RM'000	Effect of adopting MFRS 1 RM'000	Effect of adopting MFRS 139 RM'000	As restated RM'000
Statement of financial position				
Assets				
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)
Liabilities				
Taxation	163,080	(2,958)	67,594	227,716
Deferred tax liabilities	110,213	2,958	27,362	140,533
Statement of changes in equity				
Retained profits	5,080,264	(8,872)	284,848	5,356,240
Fair value reserve	183,998	8,872	-	192,870
<hr/>				
Group	As previously reported RM'000	Effect of adopting MFRS 1 RM'000	Effect of adopting MFRS 139 RM'000	As restated RM'000
As at 1 July 2011				
Statement of financial position				
Assets				
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)	-
Liabilities				
Taxation	60,184	(3,277)	53	56,960
Deferred tax liabilities	-	-	2,773	2,773
Statement of changes in equity				
Retained profits	3,985,874	(9,832)	190,369	4,166,411
Fair value reserve	102,211	9,832	-	112,043
<hr/>				
Bank	As previously reported RM'000	Effect of adopting MFRS 1 RM'000	Effect of adopting MFRS 139 RM'000	As restated RM'000
As at 30 June 2012				
Statement of financial position				
Assets				
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)
Liabilities				
Taxation	118,651	(2,958)	75,443	191,136
Deferred tax liabilities	114,148	2,958	25,995	143,101
Statement of changes in equity				
Retained profits	3,988,722	(8,872)	304,306	4,284,156
Fair value reserve	184,783	8,872	-	193,655
<hr/>				

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

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
As at 1 July 2011						
Statement of financial position						
Assets						
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)	-
Total assets	87,650,089	46,853,799	134,503,888	(3,277)	291,317	134,791,928
Liabilities						
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
Total liabilities	81,082,963	46,853,799	127,936,762	(3,277)	63,995	127,997,480
Equity						
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)
Total equity	6,567,126	-	6,567,126	-	227,322	6,794,448
Total equity and liabilities	87,650,089	46,853,799	134,503,888	(3,277)	291,317	134,791,928
Commitments and contingencies	115,912,569	24,382,968	140,295,537	-	-	140,295,537

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

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
As at 1 July 2011						
Statement of financial position						
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)
Statement of changes in equity						
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

Group	As previously reported RM'000	MFRS 3 adjustment RM'000	Effect of adopting MFRS 1 RM'000	Effect of adopting MFRS 139 RM'000	As restated RM'000
For the financial period ended 31 December 2011					
Statement of changes in equity					
Retained profits	4,422,119	(12,945)	(21,215)	174,834	4,562,793
Fair value reserve	86,701	-	21,215	-	107,916
Statement of income					
Non-interest income	396,090	-	(15,177)	-	380,913
Net unrealised gain/(loss) on revaluation of financial assets held-for-trading	16,350	-	(15,177)	-	1,173
Overhead expenses	(1,000,354)	(17,260)	-	-	(1,017,614)
Establishment cost					
Depreciation of property and equipment	(49,374)	-	-	-	(49,374)
Amortisation of intangible assets	(17,544)	(17,260)	-	-	(34,804)
Allowance for impairment losses					
on loans, advances and financing	(19,929)	-	-	(20,712)	(40,641)
- collective assessment allowance	(225,716)	-	-	(20,712)	(246,428)
Taxation	(218,479)	4,315	3,794	5,177	(205,193)

Group	As previously reported RM'000	MFRS 3 adjustment RM'000	Effect of adopting MFRS 1 RM'000	Effect of adopting MFRS 139 RM'000	As restated RM'000
For the financial quarter ended 31 December 2011					
Statement of income					
Non-interest income	219,651	-	(3,885)	-	215,766
Net unrealised gain/(loss) on revaluation of financial assets held-for-trading	7,840	-	(3,885)	-	3,955
Overhead expenses	(564,733)	(7,192)	-	-	(571,925)
Establishment cost					
Depreciation of property and equipment	(21,205)	(3,610)	-	-	(24,815)
Amortisation of intangible assets	(12,559)	(3,582)	-	-	(16,141)
Allowance for impairment losses					
on loans, advances and financing	3,153	-	-	(31,979)	(28,826)
- collective assessment allowance	(117,669)	-	-	(31,979)	(149,648)
Taxation	(101,771)	1,798	971	7,994	(91,008)

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

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	MFRS 3 adjustment RM'000	Effect of adopting MFRS 1 RM'000	Effect of adopting MFRS 139 RM'000	As restated RM'000
For the financial period ended 31 December 2011					
Statement of changes in equity					
Retained profits	3,516,352	(15,102)	(21,215)	197,221	3,677,256
Fair value reserve	88,756	-	21,215	-	109,971
Statement of income					
Non-interest income	436,608	-	(15,177)	-	421,431
Net unrealised gain/(loss) on revaluation of financial assets held-for-trading	16,350	-	(15,177)	-	1,173
Overhead expenses	(878,793)	(20,136)	-	-	(898,929)
Establishment cost					
Depreciation of property and equipment	(46,612)	-	-	-	(46,612)
Amortisation of intangible assets	(16,843)	(20,136)	-	-	(36,979)
Allowance for impairment losses					
on loans, advances and financing:	3,690	-	-	(40,133)	(36,443)
- collective assessment allowance	(195,180)	-	-	(40,133)	(235,313)
Taxation	(215,906)	5,034	3,794	10,032	(197,046)

Bank	As previously reported RM'000	MFRS 3 adjustment RM'000	Effect of adopting MFRS 1 RM'000	Effect of adopting MFRS 139 RM'000	As restated RM'000
For the financial quarter ended 31 December 2011					
Statement of income					
Non-interest income	263,008	-	(3,885)	-	259,123
Net unrealised gain/(loss) on revaluation of financial assets held-for-trading	7,840	-	(3,885)	-	3,955
Overhead expenses	(496,142)	(10,068)	-	-	(506,210)
Establishment cost					
Depreciation of property and equipment	(20,011)	(3,469)	-	-	(23,480)
Amortisation of intangible assets	(12,056)	(6,599)	-	-	(18,655)
Allowance for impairment losses					
on loans, advances and financing:	15,004	-	-	-	15,004
- collective assessment allowance	(102,486)	-	-	(25,375)	(127,861)
Taxation	(112,974)	2,517	971	6,343	(103,143)

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

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 RM638.3 million for the current financial quarter ended 31 December 2012, an increase of RM198.2 million or 45.0% as compared to previous restated corresponding quarter. The increase in pre-tax profit was mainly due to higher net income of RM4.9 million, lower other operating expenses of RM120.3 million, lower allowance for impaired loans of RM42.3 million and higher share of profit from Bank of Chengdu and joint venture totaling RM33.6m. This was offset by lower write back of impairment losses of RM3.0 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 RM272.8 million for the 2nd quarter ended December 2012 as compared to previous restated corresponding quarter of RM160.6 million.

Personal Financial Services's loan base grew from RM62.3 billion in December 2011 to RM64.9 billion in December 2012.

Business and Corporate Banking

The Business and Corporate Banking's segment recorded a pre-tax profit of RM174.8 million for the 2nd quarter ended December 2012 as compared to previous restated corresponding quarter of RM167.4 million.

The improvement are mainly contributed by higher loan base in the current period ended December 2012. Business and Corporate Banking's loan base increase from RM24.5 billion in December 2011 to RM 28.1 billion in December 2012. As a result, total income increase from RM202.9 million to RM225.9 million.

Global Markets

The Global Market's segment recorded a pre-tax profit of RM122.2 million for the 2nd quarter ended December 2012 as compared to previous restated corresponding quarter of RM88.3 million.

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.

Treasury earning assets dropped from RM57.8 billion in December 2011 to RM52.8 billion in December 2012.

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

The Group pre-tax profit for the six months ended 31 December 2012 stood at RM1,275.8 million, an increase of RM321.9 million or 33.7% as compared to RM953.9 million in the previous restated corresponding period. The increase was due to higher net income by RM102.0 million, lower allowance for impaired loans of RM68.9 million, lower other operating expenses of RM123.2 million and higher share of profit from Bank of Chengdu and joint venture totaling RM33.4 million. This is however mitigated by lower write back of impairment losses of RM5.5 million.

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

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 RM579.2 million for the financial period ended December 2012 compared to previous year restated corresponding period of RM458.4 million.

Business and Corporate Banking

The Group Business and Corporate Banking's segment recorded a pre-tax profit of RM330.1 million for the financial period ended December 2012 compared to previous year restated corresponding period of RM290.6 million. The increase in pre-tax profit arising from higher net interest income and non interest income.

Global Markets

The Global Market's segment recorded a pre-tax profit of RM236.2 million for the financial period ended December 2012 compared to previous year restated corresponding period of RM125.5 million. Higher non interest income this year mainly due to mark-to-market gain 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 RM638.3 million as compared to RM637.5 million in the preceding quarter, an increase of RM0.8 million arising from higher net income of RM1.8 million, higher write back of impairment losses of RM2.2 million coupled with higher share of profit from Bank of Chengdu of RM6.7 million. This is however offset by higher allowance for impaired loans of RM1.2 million and higher other operating expenses of RM8.8 million.

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

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

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM'000	Restated RM'000	RM'000	Restated RM'000
The Group				
Malaysian income tax	128,236	82,072	287,649	200,568
Overseas tax	-	-	-	-
	<u>128,236</u>	<u>82,072</u>	<u>287,649</u>	<u>200,568</u>
Transfer from/(to) deferred taxation	2,030	8,936	2,402	4,625
	<u>130,266</u>	<u>91,008</u>	<u>290,051</u>	<u>205,193</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM'000	Restated RM'000	RM'000	Restated RM'000
The Bank				
Malaysian income tax	166,283	108,716	306,070	205,214
Overseas tax	-	-	-	-
	<u>166,283</u>	<u>108,716</u>	<u>306,070</u>	<u>205,214</u>
Transfer from/(to) deferred taxation	2,030	(5,573)	(1,617)	(8,168)
	<u>168,313</u>	<u>103,143</u>	<u>304,453</u>	<u>197,046</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.

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

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.

.....

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

B9 Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 December 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	19,149,139	60,881	(94,928)
(ii) 1 year to 3 years	437,574	4	(66)
(iii) More than 3 years	-	-	-
Swaps			
(i) Less than 1 year	4,536,354	63,815	(47,538)
(ii) 1 year to 3 years	675,818	9,274	(2,354)
(iii) More than 3 years	1,701,484	38,903	(40,407)
Options			
(i) Less than 1 year	3,397,723	12,149	(13,959)
(ii) 1 year to 3 years	212,327	2,871	(2,871)
(iii) More than 3 years	-	-	-
Interest rate related contracts			
Futures			
(i) Less than 1 year	5,236,155	357	(1,864)
(ii) 1 year to 3 years	400,000	9	(423)
(iii) More than 3 years	50,000	110	-
Swaps			
(i) Less than 1 year	12,115,466	18,113	(47,356)
(ii) 1 year to 3 years	25,104,859	93,945	(116,606)
(iii) More than 3 years	28,021,826	385,693	(393,337)
Equity related contracts			
(i) Less than 1 year	82,658	1,310	(1,309)
(ii) 1 year to 3 years	-	-	-
(iii) More than 3 years	-	-	-
Total	101,121,383	687,434	(763,018)

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

B9 Off-balance sheet financial instruments (continued)

Details of financial instruments with off-balance sheet risk as at 31 December 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	18,522,440	59,647	(93,714)
(ii) 1 year to 3 years	437,574	4	(66)
(iii) More than 3 years	-	-	-
Swaps			
(i) Less than 1 year	8,082,573	135,781	(119,504)
(ii) 1 year to 3 years	675,818	9,274	(2,354)
(iii) More than 3 years	1,701,484	38,903	(40,407)
Options			
(i) Less than 1 year	3,397,723	12,149	(13,959)
(ii) 1 year to 3 years	212,327	2,871	(2,871)
(iii) More than 3 years	-	-	-
Interest rate related contracts			
Futures			
(i) Less than 1 year	5,236,155	357	(1,864)
(ii) 1 year to 3 years	400,000	9	(423)
(iii) More than 3 years	50,000	110	-
Swaps			
(i) Less than 1 year	12,075,466	18,113	(47,278)
(ii) 1 year to 3 years	24,904,859	93,945	(115,023)
(iii) More than 3 years	27,171,826	381,825	(384,465)
Equity related contracts			
(i) Less than 1 year	82,658	1,310	(1,309)
(ii) 1 year to 3 years	-	-	-
(iii) More than 3 years	-	-	-
Total	102,950,903	754,298	(823,237)

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

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 RM96,221,141 (FYE June 2012: RM681,275,001) and RM60,361,390,070 (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 RM723,839,380 (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.

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

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.

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

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

An interim dividend of 15.0 sen per share less income tax of 25% has been proposed for the current quarter.

- (i) Amount per share: 15.0 sen (less 25% taxation)
- (ii) Previous corresponding quarter: 11.0 sen per share (less 25% taxation)
- (iii) Entitlement date: 12 March 2013
- (iv) Payment date: 26 March 2013

B12 Realised and Unrealised Profits

	The Group	
	Financial Period Ended 31/12/2012 RM'000	Financial Year Ended 30/06/2012 Restated RM'000
Total retained profits of Hong Leong Bank Berhad and its subsidiaries		
- Realised	4,515,959	3,599,048
- Unrealised	714,919	1,031,292
	5,230,878	4,630,340
Total share of retained profits from associated company		
- Realised	800,346	670,989
Total share of retained profits /(accumulated losses) from jointly controlled entity		
- Realised	1,071	160
	6,032,295	5,301,489
Less Consolidation Adjustment	(97,805)	54,751
Total Group's Retained Profit	5,934,490	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.

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

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.

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2012 RM'000	31/12/2011 RM'000	31/12/2012 RM'000	31/12/2011 RM'000
<u>The Group</u>				
Net profit attributable to shareholders of the company	507,991	349,078	985,625	748,618
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	(37,592)	(5,726)	(37,592)	(5,726)
	<u>1,753,031</u>	<u>1,574,381</u>	<u>1,753,031</u>	<u>1,574,381</u>
Basic earnings per share (sen)	29.0	22.2	56.2	47.6
<u>The Bank</u>				
Net profit attributable to shareholders of the company	471,885	300,241	868,950	579,090
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	(37,592)	(5,726)	(37,592)	(5,726)
	<u>1,753,031</u>	<u>1,574,381</u>	<u>1,753,031</u>	<u>1,574,381</u>
Basic earnings per share (sen)	26.9	19.1	49.6	36.8

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

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.

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2012 RM'000	31/12/2011 RM'000	31/12/2012 RM'000	31/12/2011 RM'000
<u>The Group</u>				
Net profit attributable to shareholders of the company	507,991	349,078	985,625	748,618
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,753,031	1,574,381	1,753,031	1,574,381
- adjustment for ESOS	4,975	9,553	4,975	9,553
	<u>1,758,006</u>	<u>1,583,934</u>	<u>1,758,006</u>	<u>1,583,934</u>
Fully diluted earnings per share (sen)	28.9	22.0	56.1	47.3
<u>The Bank</u>				
Net profit attributable to shareholders of the company	471,885	300,241	868,950	579,090
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,753,031	1,574,381	1,753,031	1,574,381
- adjustment for ESOS	4,975	9,553	4,975	9,553
	<u>1,758,006</u>	<u>1,583,934</u>	<u>1,758,006</u>	<u>1,583,934</u>
Fully diluted earnings per share (sen)	26.8	19.0	49.4	36.6