

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

**Condensed Financial Statements**  
**Unaudited Statements of Financial Position As At 30 September 2013**

	Note	The Group		The Bank	
		As at 30/09/2013 RM'000	As at 30/06/2013 RM'000	As at 30/09/2013 RM'000	As at 30/06/2013 RM'000
<b>ASSETS</b>					
Cash and short-term funds		16,805,837	18,047,448	14,167,783	16,719,258
Deposits and placements with financial institutions		3,703,970	5,928,370	3,749,469	6,729,056
Securities purchased under resale agreements		1,048,417	1,025,253	1,048,417	1,025,253
Financial assets held-for-trading	A8	12,773,875	15,195,782	10,892,879	12,106,928
Financial investments available-for-sale	A9	16,472,857	13,827,062	14,110,759	11,635,449
Financial investments held-to-maturity	A10	4,991,135	4,161,012	4,967,160	4,115,805
Loans, advances and financing	A11	96,581,059	95,430,961	82,640,619	81,835,734
Other assets	A12	769,860	888,600	651,001	794,510
Derivative financial instruments		1,051,855	877,144	1,038,130	939,409
Amount due from subsidiaries		-	-	614,299	616,487
Statutory deposits with Central Banks		3,405,449	3,432,909	2,881,000	2,917,000
Investment in subsidiary companies		-	-	2,191,047	2,194,913
Investment in associated company		1,786,334	1,752,949	946,505	946,505
Investment in jointly controlled entity		82,019	79,945	76,711	76,711
Property and equipment		757,587	737,535	728,476	712,963
Intangible assets		362,690	369,415	349,489	362,855
Goodwill		1,831,312	1,831,312	1,771,547	1,771,547
<b>Total Assets</b>		<b>162,424,256</b>	<b>163,585,697</b>	<b>142,825,291</b>	<b>145,500,383</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>					
Deposits from customers	A13	125,451,343	123,637,070	109,768,047	109,168,631
Deposits and placements of banks and other financial institutions	A14	5,783,326	11,567,147	4,904,638	10,166,114
Obligations on securities sold under repurchase agreements		4,205,170	1,748,744	4,205,170	1,748,744
Bills and acceptances payable		754,359	800,680	702,864	656,892
Other liabilities	A15	2,989,707	3,266,447	1,875,104	2,880,272
Derivative financial instruments		938,729	954,187	925,597	1,011,249
Senior bonds	A16	1,962,609	1,902,171	1,962,609	1,902,171
Tier 2 subordinated bonds	A17	4,407,052	4,382,603	4,407,051	4,382,601
Non-innovative Tier 1 stapled securities	A18	1,427,121	1,408,992	1,427,121	1,408,992
Innovative Tier 1 capital securities	A19	541,962	556,042	541,962	556,042
Provision for taxation		228,471	213,555	178,280	165,974
Deferred tax liabilities		111,160	111,435	111,665	112,284
<b>Total Liabilities</b>		<b>148,801,009</b>	<b>150,549,073</b>	<b>131,010,108</b>	<b>134,159,966</b>
Share Capital		1,879,909	1,879,909	1,879,909	1,879,909
Reserves		12,399,668	11,818,524	10,591,604	10,122,317
Less: Treasury Shares		(656,330)	(661,809)	(656,330)	(661,809)
<b>Total Shareholders' Equity</b>		<b>13,623,247</b>	<b>13,036,624</b>	<b>11,815,183</b>	<b>11,340,417</b>
<b>Total Liabilities and Equity</b>		<b>162,424,256</b>	<b>163,585,697</b>	<b>142,825,291</b>	<b>145,500,383</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	A30	<b>171,264,377</b>	<b>159,578,751</b>	<b>169,669,725</b>	<b>158,249,385</b>

Net asset per share attributable to ordinary equity holders of the parent (RM) \*

7.74                      7.41                      6.71                      6.44

\* 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 2013.*

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

**Condensed Financial Statements**  
**Unaudited Statements of Income**  
**For The Financial Quarter Ended 30 September 2013**

**The Group**

	Note	Current Quarter Ended 30/09/2013 RM'000	Corresponding Quarter Ended 30/09/2012 RM'000	Current Period Ended 30/09/2013 RM'000	Corresponding Period Ended 30/09/2012 RM'000
Interest income	A20	1,426,300	1,378,433	1,426,300	1,378,433
Interest expense	A21	(770,750)	(754,484)	(770,750)	(754,484)
Net interest income		655,550	623,949	655,550	623,949
Net income from Islamic Banking business	A22	108,350	111,841	108,350	111,841
Other operating income	A23	265,506	266,738	265,506	266,738
Net Income		1,029,406	1,002,528	1,029,406	1,002,528
Other operating expenses	A24	(454,954)	(442,853)	(454,954)	(442,853)
Operating profit before allowances		574,452	559,675	574,452	559,675
Allowance for impairment losses on loans, advances and financing	A25	17,980	14,721	17,980	14,721
Write back of impairment losses		15,362	1,309	15,362	1,309
Share of profit after tax of equity accounted associated company		607,794	575,705	607,794	575,705
		89,471	61,018	89,471	61,018
Share of profit after tax of equity accounted jointly controlled entity		2,074	746	2,074	746
Profit before taxation		699,339	637,469	699,339	637,469
Taxation	B5	(154,852)	(159,835)	(154,852)	(159,835)
Net profit for the financial period		544,487	477,634	544,487	477,634
<b>Attributable to:</b>					
Owners of the parent		544,487	477,634	544,487	477,634
Earnings per share - basic (sen)	B13(a)	30.9	27.3	30.9	27.3
Earnings per share - fully diluted (sen)	B13(b)	30.9	27.2	30.9	27.2

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013.*

**HONG LEONG BANK BERHAD**  
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**Condensed Financial Statements**  
**Unaudited Statements of Comprehensive Income**  
**For The Financial Quarter Ended 30 September 2013**

**The Group**

	<b>Current Quarter Ended 30/09/2013 RM'000</b>	<b>Corresponding Quarter Ended 30/09/2012 RM'000</b>	<b>Current Period Ended 30/09/2013 RM'000</b>	<b>Corresponding Period Ended 30/09/2012 RM'000</b>
Net profit for the financial period	<u>544,487</u>	<u>477,634</u>	<u>544,487</u>	<u>477,634</u>
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive loss of associate company and jointly controlled entity	(22)	(22)	(22)	(22)
Currency translation differences	23,085	(6,858)	23,085	(6,858)
Net fair value changes on financial investments available-for-sale	15,659	10,311	15,659	10,311
Income tax relating to components of other comprehensive income	<u>(3,915)</u>	<u>(2,578)</u>	<u>(3,915)</u>	<u>(2,578)</u>
Other comprehensive income for the financial period	<u>34,807</u>	<u>853</u>	<u>34,807</u>	<u>853</u>
Total comprehensive income for the financial period, net of tax	<u><u>579,294</u></u>	<u><u>478,487</u></u>	<u><u>579,294</u></u>	<u><u>478,487</u></u>
Attributable to:				
- Owners of the parent	<u><u>579,294</u></u>	<u><u>478,487</u></u>	<u><u>579,294</u></u>	<u><u>478,487</u></u>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013.*

**HONG LEONG BANK BERHAD**  
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**Condensed Financial Statements**  
**Unaudited Statements of Income**  
**For The Financial Quarter Ended 30 September 2013**

**The Bank**

	Note	Current Quarter Ended 30/09/2013 RM'000	Corresponding Quarter Ended 30/09/2012 RM'000	Current Period Ended 30/09/2013 RM'000	Corresponding Period Ended 30/09/2012 RM'000
Interest income	A20	1,444,124	1,395,191	1,444,124	1,395,191
Interest expense	A21	(800,462)	(783,601)	(800,462)	(783,601)
Net interest income		643,662	611,590	643,662	611,590
Other operating income	A23	341,161	318,803	341,161	318,803
Net Income		984,823	930,393	984,823	930,393
Other operating expenses	A24	(401,052)	(391,529)	(401,052)	(391,529)
Operating profit before allowances		583,771	538,864	583,771	538,864
Allowance for impairment losses on loans, advances and financing	A25	12,042	(6,968)	12,042	(6,968)
Write back of impairment losses		15,362	1,309	15,362	1,309
Profit before taxation		611,175	533,205	611,175	533,205
Taxation	B5	(156,751)	(136,140)	(156,751)	(136,140)
Net profit for the financial period		454,424	397,065	454,424	397,065
<b>Attributable to:</b>					
Owners of the parent		454,424	397,065	454,424	397,065
Earnings per share - basic (sen)	B13(a)	25.8	22.7	25.8	22.7
Earnings per share - fully diluted (sen)	B13(b)	25.8	22.6	25.8	22.6

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013.*

**HONG LEONG BANK BERHAD**  
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**(Incorporated in Malaysia)**

**Condensed Financial Statements**  
**Unaudited Statements of Comprehensive Income**  
**For The Financial Quarter Ended 30 September 2013**

**The Bank**

	Current Quarter Ended 30/09/2013 RM'000	Corresponding Quarter Ended 30/09/2012 RM'000	Current Period Ended 30/09/2013 RM'000	Corresponding Period Ended 30/09/2012 RM'000
Net profit for the financial period	454,424	397,065	454,424	397,065
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences	770	11,161	770	11,161
Net fair value changes on financial investments available-for-sale	16,324	11,684	16,324	11,684
Income tax relating to components of other comprehensive income	(4,081)	(2,921)	(4,081)	(2,921)
Other comprehensive income for the financial period	13,013	19,924	13,013	19,924
Total comprehensive income for the financial period, net of tax	467,437	416,989	467,437	416,989

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013.*

**HONG LEONG BANK BERHAD**  
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**Condensed Financial Statements**

**Unaudited Statement of Changes in Equity For The Financial Period Ended 30 September 2013**

<u>The Group</u>	Attributable to owners of the parent									
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair Value Reserve RM'000	Share options Reserve RM'000	Regulatory Reserve * RM'000	Exchange Fluctuation Reserve RM'000	Retained Profit RM'000	Treasury Shares RM'000	Total Shareholders' Equity RM'000
<b>At 1 July 2013</b>	1,879,909	2,832,383	2,625,743	163,126	5,125	8,527	(13,752)	6,197,372	(661,809)	13,036,624
<u>Comprehensive income</u>										
Net profit for the financial period	-	-	-	-	-	-	-	544,487	-	544,487
- Share of other comprehensive loss of associates	-	-	-	(22)	-	-	-	-	-	(22)
- Net fair value changes in financial investments available-for-sale	-	-	-	11,744	-	-	-	-	-	11,744
- Currency translation difference	-	-	-	-	-	-	23,085	-	-	23,085
Total comprehensive income	-	-	-	11,722	-	-	23,085	544,487	-	579,294
<u>Transactions with owners</u>										
Transfer to statutory reserve/regulatory reserve	-	-	139,752	-	-	-	-	(139,752)	-	-
ESOS exercised	-	-	-	-	(711)	-	-	1,061	5,479	5,829
Option charge arising from ESOS granted	-	-	-	-	1,500	-	-	-	-	1,500
Total transactions with owners	-	-	139,752	-	789	-	-	(138,691)	5,479	7,329
<b>At 30 September 2013</b>	<b>1,879,909</b>	<b>2,832,383</b>	<b>2,765,495</b>	<b>174,848</b>	<b>5,914</b>	<b>8,527</b>	<b>9,333</b>	<b>6,603,168</b>	<b>(656,330)</b>	<b>13,623,247</b>
<b>At 1 July 2012</b>										
- as previously reported	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
- adoption of MFRS and full adoption of MFRS 139	-	-	-	8,872	-	-	-	275,976	-	284,848
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 financial period	-	-	-	-	-	-	-	477,634	-	477,634
- Share of other comprehensive loss of associates	-	-	-	(22)	-	-	-	-	-	(22)
- Net fair value changes in financial investments available-for-sale	-	-	-	7,733	-	-	-	-	-	7,733
- Currency translation difference	-	-	-	-	-	-	(6,858)	-	-	(6,858)
Total comprehensive income/(loss)	-	-	-	7,711	-	-	(6,858)	477,634	-	478,487
<u>Transactions with owners</u>										
Transfer to statutory reserve/regulatory reserve	-	-	32,598	-	-	-	-	(32,598)	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	(13)	(13)
ESOS exercised	-	-	-	-	(2,536)	-	-	2,631	20,760	20,855
Option charge arising from ESOS granted	-	-	-	-	835	-	-	-	-	835
Total transactions with owners	-	-	32,598	-	(1,701)	-	-	(29,967)	20,747	21,677
<b>At 30 September 2012</b>	<b>1,879,909</b>	<b>2,832,383</b>	<b>2,182,399</b>	<b>200,581</b>	<b>20,782</b>	<b>6,045</b>	<b>(27,638)</b>	<b>5,803,907</b>	<b>(694,045)</b>	<b>12,204,323</b>

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

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**Condensed Financial Statements**  
**Unaudited Statement of Changes in Equity For The Financial Period Ended 30 September 2013**

	← Non-distributable →					Distributable			
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair value reserve RM'000	Share options Reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Profit RM'000	Treasury Shares RM'000	Total RM'000
<b>The Bank</b>									
<b>At 1 July 2013</b>	1,879,909	2,832,383	2,242,523	170,683	5,125	36,323	4,835,280	(661,809)	11,340,417
<u>Comprehensive income</u>									
Net profit for the financial period	-	-	-	-	-	-	454,424	-	454,424
- Net fair value changes in financial investments available-for-sale	-	-	-	12,243	-	-	-	-	12,243
- Currency translation difference	-	-	-	-	-	770	-	-	770
Total comprehensive income	-	-	-	12,243	-	770	454,424	-	467,437
<u>Transactions with owners</u>									
Transfer to statutory reserves	-	-	113,606	-	-	-	(113,606)	-	-
ESOS exercised	-	-	-	-	(711)	-	1,061	5,479	5,829
Options charge arising from ESOS granted	-	-	-	-	1,500	-	-	-	1,500
Total transactions with owners	-	-	113,606	-	789	-	(112,545)	5,479	7,329
<b>At 30 September 2013</b>	<b>1,879,909</b>	<b>2,832,383</b>	<b>2,356,129</b>	<b>182,926</b>	<b>5,914</b>	<b>37,093</b>	<b>5,177,159</b>	<b>(656,330)</b>	<b>11,815,183</b>
<b>At 1 July 2012</b>									
- as previously reported	1,879,909	2,832,383	1,879,909	184,783	22,483	25,114	3,988,722	(714,792)	10,098,511
- adoption of MFRS and full adoption of MFRS 139	-	-	-	8,872	-	-	295,434	-	304,306
As restated	1,879,909	2,832,383	1,879,909	193,655	22,483	25,114	4,284,156	(714,792)	10,402,817
<u>Comprehensive income</u>									
Net profit for the financial period	-	-	-	-	-	-	397,065	-	397,065
- Net fair value changes in financial investments available-for-sale	-	-	-	8,763	-	-	-	-	8,763
- Currency translation difference	-	-	-	-	-	11,161	-	-	11,161
Total comprehensive income	-	-	-	8,763	-	11,161	397,065	-	416,989
<u>Transactions with owners</u>									
Purchase of treasury shares	-	-	-	-	-	-	-	(13)	(13)
ESOS exercised	-	-	-	-	(2,536)	-	2,631	20,760	20,855
Options charge arising from ESOS granted	-	-	-	-	835	-	-	-	835
Total transactions with owners	-	-	-	-	(1,701)	-	2,631	20,747	21,677
<b>At 30 September 2012</b>	<b>1,879,909</b>	<b>2,832,383</b>	<b>1,879,909</b>	<b>202,418</b>	<b>20,782</b>	<b>36,275</b>	<b>4,683,852</b>	<b>(694,045)</b>	<b>10,841,483</b>

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**HONG LEONG BANK BERHAD**  
**(97141-X)**  
**(Incorporated in Malaysia)**  
**Condensed Financial Statements**  
**Unaudited Condensed Statements of Cash Flows**  
**For The Financial Period Ended 30 September 2013**

	The Group		The Bank	
	Financial Period Ended 30/09/2013 RM'000	Financial Period Ended 30/09/2012 RM'000	Financial Period Ended 30/09/2013 RM'000	Financial Period Ended 30/09/2012 RM'000
Profit before taxation and zakat	699,339	637,469	611,175	533,205
Adjustments for non-cash items	(162,687)	(53,256)	(70,197)	(25,983)
Operating profit before working capital changes	536,652	584,213	540,978	507,222
Changes in working capital:				
Net changes in operating assets	3,494,923	696,492	3,425,474	(1,186,131)
Net changes in operating liabilities	(1,851,886)	(3,135,212)	(3,266,409)	(2,316,501)
Income taxes and zakat paid	(143,744)	(84,852)	(107,932)	(73,539)
Net cash generated from/(used in) operating activities	<u>2,035,945</u>	<u>(1,939,359)</u>	<u>592,111</u>	<u>(3,068,949)</u>
<b>Cash flows from investing activities</b>				
Net purchases of financial investments available-for-sale	(2,519,118)	(2,673,716)	(2,359,526)	(2,476,473)
Net (purchases)/proceeds of financial investments held-to-maturity	(785,031)	(241,134)	(797,823)	60,310
Purchase of property and equipment	(51,266)	(38,123)	(45,032)	(37,155)
Proceeds from sale of property and equipment	4,384	290	3,782	131
Net purchases of intangible assets	(24,153)	(1,938)	(16,672)	(1,805)
Dividend received on financial investments available-for-sale and held-to-maturity	13,998	24,462	13,998	24,462
Dividend from associated company	56,086	51,344	56,086	51,344
Net cash used in investing activities	<u>(3,305,100)</u>	<u>(2,878,815)</u>	<u>(3,145,187)</u>	<u>(2,379,186)</u>
<b>Cash flows from financing activities</b>				
Purchase of treasury shares	-	(13)	-	(13)
Cash received from ESOS exercised	5,829	20,855	5,829	20,855
Interest paid on subordinated obligations	(61,329)	(56,883)	(65,225)	(62,849)
Net cash used in financing activities	<u>(55,500)</u>	<u>(36,041)</u>	<u>(59,396)</u>	<u>(42,007)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,324,655)</b>	<b>(4,854,215)</b>	<b>(2,612,472)</b>	<b>(5,490,142)</b>
<b>Currency translation differences</b>	<b>83,044</b>	<b>(6,655)</b>	<b>60,997</b>	<b>11,058</b>
<b>Cash and cash equivalents at the beginning of financial period</b>	<b>18,047,448</b>	<b>19,636,026</b>	<b>16,719,258</b>	<b>18,410,084</b>
<b>Cash and cash equivalents at the end of financial period</b>	<b><u>16,805,837</u></b>	<b><u>14,775,156</u></b>	<b><u>14,167,783</u></b>	<b><u>12,931,000</u></b>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013.*



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**Part A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134") and Guidelines on Financial Reporting (Revised on 28 June 2013) Issued by Bank Negara Malaysia**

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS  
FOR FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

**A1 Basis of preparation**

The unaudited condensed financial statements for the financial period ended 30 September 2013 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 Hong Leong Bank Berhad ("HLB" or "the Bank") for the financial year ended 30 June 2013. 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 2013.

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

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2013, 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 2013:

MFRS 10	"Consolidated financial statements"
MFRS 11	"Joint arrangements"
MFRS 12	"Disclosures of interests in other entities"
MFRS 13	"Fair value measurement"
Revised MFRS 127	"Separate financial statements"
Revised MFRS 128	"Investments in associates and joint ventures"
Amendment to MFRS 7	"Financial instruments: Disclosures"

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 the Bank'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.

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**A2 Status of matters giving rise to the auditor's qualified report in the preceding annual financial the year ended 30 June 2013**

There was no qualified report issued by the auditors in the preceding annual financial statements for the year ended 30 June 2013.

**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**

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

**A6 Issuance and repayment of debt and equity securities**

Save as detailed below, there were no other new shares issuance, repayment of debt and equity securities, share buy back and share cancellations, or resale of shares held as treasury shares during the financial period ended 30 September 2013:-

a) Share Buy-back

There were no purchase of ordinary shares of RM1.00 each ('Shares') from the open market during the financial period ended 30 September 2013.

The total number of Shares bought back, all of which were held as treasury shares as at 30 September 2013 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 MFRS 132: Financial Statements: Presentation and Disclosure, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares", in addition to the Treasury Shares for share buy-back, in the Shareholders' Funds on the Statements of Financial Position.

During the financial period ended 30 September 2013, the trust did not purchase any new shares. As at 30 September 2013, the total number of Treasury Shares for ESOS was 38,042,619 at an average carrying value of RM5.90 per share.

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

b) Purchase of shares pursuant to ESOS (continued)

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

- (i) 4,500,000 share options at an exercise price of RM5.72;
- (ii) 21,800,000 share options at an exercise price of RM6.05;
- (iii) 12,835,000 share options at an exercise price of RM5.99;
- (ix) 250,000 share options at an exercise price of RM5.75 (granted and lapsed in financial year ended 2009);
- (x) 200,000 share options at an exercise price of RM7.49;
- (xi) 3,095,000 share options at an exercise price of RM9.14;
- (xii) 1,000,000 share options at an exercise price of RM10.55; and
- (xiii) 1,151,408 share options arising from adjustment for rights issue.

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

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 30 September 2013, a total of 979,538 ordinary shares of RM1 each for cash were exercised pursuant to the Company's ESOS at exercise price above per ordinary share.

**A7 Dividends paid**

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

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

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2013</u>	<u>30/06/2013</u>	<u>30/09/2013</u>	<u>30/06/2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Money market instruments:				
Bank Negara Malaysia bills	1,196,232	4,961,614	1,090,738	2,535,880
Government treasury bills	257,026	352,727	198,475	352,727
Malaysian Government securities	1,526,503	704,705	1,526,503	704,705
Malaysian Government investment certificates	1,472,603	692,661	10,078	220,169
Bankers' acceptances and Islamic accepted bills	2,154,676	3,237,163	1,889,660	3,038,329
Negotiable instruments of deposit	5,818,774	4,400,751	5,960,649	4,602,982
Cagamas bonds	5,026	20,573	-	20,573
	<u>12,430,840</u>	<u>14,370,194</u>	<u>10,676,103</u>	<u>11,475,365</u>
Quoted securities:				
Shares in Malaysia	1,331	1,326	1,331	1,326
Shares outside Malaysia	11,204	11,298	11,204	11,298
Unquoted securities:				
Private and Islamic debt securities	234,786	583,887	140,253	412,657
Foreign currency bonds	95,714	229,077	63,988	206,282
Total financial assets held-for-trading	<u><u>12,773,875</u></u>	<u><u>15,195,782</u></u>	<u><u>10,892,879</u></u>	<u><u>12,106,928</u></u>

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

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2013</u>	<u>30/06/2013</u>	<u>30/09/2013</u>	<u>30/06/2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Money market instruments:				
Government treasury bills	486,280	371,911	486,280	371,911
Malaysian Government securities	2,118,159	153,141	2,118,159	153,141
Malaysian Government investment certificates	2,214,554	3,104,568	1,029,701	2,079,978
Negotiable instruments of deposit	146,841	142,045	147,294	142,574
Other Government securities	466,865	455,868	-	-
Cagamas bonds	618,609	760,660	588,204	669,255
	<u>6,051,308</u>	<u>4,988,193</u>	<u>4,369,638</u>	<u>3,416,859</u>
Quoted Securities:				
Shares in Malaysia	70,372	81,372	70,372	81,372
Shares outside Malaysia	162	223	162	223
Loans stocks quoted in Malaysia	7,436	7,437	530	530
Wholesale fund	1,500,600	1,499,900	1,500,600	1,499,900
Unquoted securities:				
Private debt securities in Malaysia	3,094,630	2,583,522	2,540,720	2,060,501
Shares in Malaysia	326,513	326,513	326,446	326,446
Shares outside Malaysia	3,561	3,450	3,561	3,450
Foreign currency bonds in Malaysia	4,197,409	3,396,120	4,077,864	3,305,836
Foreign currency bonds outside Malaysia	1,220,866	940,332	1,220,866	940,332
Total financial investments available-for-sale	<u>16,472,857</u>	<u>13,827,062</u>	<u>14,110,759</u>	<u>11,635,449</u>

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

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2013</u>	<u>30/06/2013</u>	<u>30/09/2013</u>	<u>30/06/2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Money market instruments:				
Malaysian Government securities	2,105,876	1,616,218	2,105,876	1,616,218
Malaysian Government investment certificates	2,668,288	2,303,940	1,828,810	1,465,068
Cagamas bonds	76,814	76,718	35,608	35,655
Negotiable instruments of deposit	3,717	5,833	943,781	943,717
Other Government securities	11,285	2,541	-	2,541
	<u>4,865,980</u>	<u>4,005,250</u>	<u>4,914,075</u>	<u>4,063,199</u>
Unquoted securities in Malaysia:				
Loan stocks	99	120	99	120
Private and Islamic debt securities	72,070	103,156	-	-
Unquoted bonds	486	486	486	486
Investment in preference shares	52,500	52,000	52,500	52,000
	<u>125,155</u>	<u>155,762</u>	<u>53,085</u>	<u>52,606</u>
Total financial investments held-to-maturity	<u><u>4,991,135</u></u>	<u><u>4,161,012</u></u>	<u><u>4,967,160</u></u>	<u><u>4,115,805</u></u>

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**A11 Loans, advances and financing**

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>30/09/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Overdrafts	4,154,702	4,346,203	3,961,271	4,154,195
Term loans:				
- Housing and shop loans/financing	42,068,314	41,135,376	35,062,802	34,134,679
- Syndicated term loan/financing	6,702,359	6,300,297	6,166,320	5,782,212
- Hire purchase receivables	17,500,867	17,408,072	13,679,750	13,612,858
- Other term loans/financing	10,115,774	9,829,885	8,409,098	8,273,558
Credit/charge card receivables	4,090,112	4,088,083	4,090,112	4,088,083
Bills receivables	1,132,296	1,292,482	1,126,127	1,287,605
Trust receipts	340,944	302,199	310,441	298,749
Claims on customers under acceptance credits	6,698,995	7,362,332	6,275,012	6,863,637
Block discounting	6,030	6,030	6,030	6,030
Revolving credits	5,242,889	4,890,478	4,743,487	4,573,967
Staff loans:				
Staffs other than directors	188,747	192,788	174,337	181,530
Other loans/financing	76,785	54,732	73,569	50,910
Gross loans, advances and financing	<u>98,318,814</u>	<u>97,208,957</u>	<u>84,078,356</u>	<u>83,308,013</u>
Fair value changes arising from fair value hedges	(8,896)	(7,450)	40	(674)
Unamortised fair value changes arising from terminated fair value hedges	11,384	15,035	7,923	10,524
Allowance for impaired loans, advances and financing:				
- Collective assessment allowance	(1,218,740)	(1,259,563)	(1,004,137)	(1,032,022)
- Individual assessment allowance	(521,503)	(526,018)	(441,563)	(450,107)
Total net loans, advances and financing	<u><u>96,581,059</u></u>	<u><u>95,430,961</u></u>	<u><u>82,640,619</u></u>	<u><u>81,835,734</u></u>

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

A11a By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2013</u>	<u>30/06/2013</u>	<u>30/09/2013</u>	<u>30/06/2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Domestic non-bank financial institutions	321,591	293,310	99,603	101,233
Domestic business enterprises				
- small and medium enterprises	14,792,015	14,516,722	13,708,040	13,466,490
- others	19,115,758	19,560,421	16,985,132	17,495,895
Government and statutory bodies	20,077	23,538	11,868	14,889
Individuals	59,786,391	58,705,833	49,352,642	48,474,121
Other domestic entities	230,590	231,638	195,251	195,723
Foreign entities	4,052,392	3,877,495	3,725,820	3,559,662
Gross loans, advances and financing	<u>98,318,814</u>	<u>97,208,957</u>	<u>84,078,356</u>	<u>83,308,013</u>

A11b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2013</u>	<u>30/06/2013</u>	<u>30/09/2013</u>	<u>30/06/2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Fixed rate				
- Housing and shop loans/financing	2,993,423	3,092,687	1,764,839	1,832,102
- Hire purchase receivables	17,107,406	17,032,101	13,286,289	13,240,138
- Other fixed rate loan/financing	7,874,538	7,210,801	6,922,442	6,263,631
Variable rate				
- Base lending rate plus	57,319,806	56,615,136	49,993,880	49,611,579
- Cost plus	12,359,325	12,612,686	11,547,823	11,797,480
- Other variables rates	664,316	645,546	563,083	563,083
Gross loans, advances and financing	<u>98,318,814</u>	<u>97,208,957</u>	<u>84,078,356</u>	<u>83,308,013</u>



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

A11c By economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2013</u>	<u>30/06/2013</u>	<u>30/09/2013</u>	<u>30/06/2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Purchase of securities	990,979	981,258	975,294	969,569
Purchase of transport vehicles	17,426,626	17,345,577	13,588,859	13,541,768
Purchase of landed properties				
- residential	35,169,672	34,216,321	29,046,795	28,257,239
- non-residential	11,128,134	10,858,636	10,086,660	9,860,975
Purchase of fixed assets (excluding landed properties)	560,939	555,874	513,006	519,919
Personal use	3,451,600	3,502,241	2,731,387	2,744,303
Credit card	4,090,112	4,088,083	4,090,112	4,088,083
Purchase of consumer durables	463	472	460	468
Construction	1,239,845	1,163,851	1,194,298	1,119,190
Mergers and acquisition	354,573	447,926	354,573	447,926
Working capital	21,458,846	21,770,180	19,313,580	19,746,342
Others	2,447,025	2,278,538	2,183,332	2,012,231
Gross loans, advances and financing	<u>98,318,814</u>	<u>97,208,957</u>	<u>84,078,356</u>	<u>83,308,013</u>

A11d By geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2013</u>	<u>30/06/2013</u>	<u>30/09/2013</u>	<u>30/06/2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	95,493,978	94,484,686	81,506,706	80,827,537
Singapore	2,571,650	2,480,476	2,571,650	2,480,476
Vietnam	244,099	243,795	-	-
Cambodia	9,087	-	-	-
Gross loans, advances and financing	<u>98,318,814</u>	<u>97,208,957</u>	<u>84,078,356</u>	<u>83,308,013</u>

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

A11e By residual contractual maturity

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>30/09/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Within one year	27,223,487	27,488,901	25,375,480	25,704,301
One year to less than three years	7,579,960	7,418,422	6,409,613	6,327,512
Three years to less than five years	8,959,901	9,087,625	7,328,497	7,418,718
Five years and more	54,555,466	53,214,009	44,964,766	43,857,482
Gross loans, advances and financing	<u>98,318,814</u>	<u>97,208,957</u>	<u>84,078,356</u>	<u>83,308,013</u>

A11f Impaired loans, advances and financing by economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>30/09/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Purchase of securities	6,962	6,895	6,921	6,854
Purchase of transport vehicles	230,733	220,106	177,993	170,886
Purchase of landed properties				
- residential	242,257	245,899	185,787	191,160
- non-residential	61,331	59,554	51,501	49,303
Purchase of fixed assets (excluding landed properties)	16,079	14,576	14,694	14,413
Personal use	66,414	72,209	56,480	62,319
Credit card	54,103	60,675	54,103	60,675
Purchase of consumer durables	4	4	4	4
Construction	8,685	9,266	7,026	7,609
Working capital	611,608	635,311	531,783	556,327
Others	35,863	34,948	35,535	34,623
	<u>1,334,039</u>	<u>1,359,443</u>	<u>1,121,827</u>	<u>1,154,173</u>

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

A11g Impaired loans, advances and financing by geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>30/09/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Malaysia	1,309,311	1,329,644	1,097,460	1,124,735
Singapore	24,367	29,438	24,367	29,438
Vietnam	361	361	-	-
	<u>1,334,039</u>	<u>1,359,443</u>	<u>1,121,827</u>	<u>1,154,173</u>

A11h Movements in impaired loans, advances and financing are as follows:

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>30/09/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
As at beginning of the financial period/year	1,359,443	1,532,014	1,154,173	1,310,186
Impaired during the financial period	419,520	1,851,753	353,701	1,585,079
Performing during the financial period	(227,082)	(966,418)	(189,100)	(799,385)
Amount written back in respect of recoveries	(116,162)	(503,594)	(104,315)	(441,384)
Amount written off	(104,739)	(554,051)	(93,671)	(500,350)
Exchange difference	3,059	(261)	1,039	27
As at end of the financial period/year	<u>1,334,039</u>	<u>1,359,443</u>	<u>1,121,827</u>	<u>1,154,173</u>
Gross impaired loan as a % of gross loans, advances and financing	<u>1.4%</u>	<u>1.4%</u>	<u>1.3%</u>	<u>1.4%</u>

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

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

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2013</u>	<u>30/06/2013</u>	<u>30/09/2013</u>	<u>30/06/2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Collective Assessment Allowance</u>				
As at beginning of the financial period/year				
- as previously stated	1,259,563	1,881,419	1,032,022	1,593,942
- effect of full adoption of MFRS139	-	(379,804)	-	(405,744)
As restated	<u>1,259,563</u>	<u>1,501,615</u>	<u>1,032,022</u>	<u>1,188,198</u>
Net allowance made during the period/year	49,294	183,884	51,240	221,498
Amount transferred to individual assessment	(409)	(4,800)	(409)	(4,800)
Amount written off	(86,388)	(402,347)	(76,182)	(357,205)
Unwinding income	(4,032)	(18,751)	(3,272)	(15,657)
Exchange differences	712	(38)	738	(12)
As at end of the financial period/year	<u><u>1,218,740</u></u>	<u><u>1,259,563</u></u>	<u><u>1,004,137</u></u>	<u><u>1,032,022</u></u>
As a % of gross loans, advances and financing less loans exempted from individual assessment allowance	<u>1.2%</u>	<u>1.3%</u>	<u>1.2%</u>	<u>1.2%</u>
<u>Individual Assessment Allowance</u>				
As at beginning of the financial period/year	526,018	541,978	450,107	463,710
Allowance made during the period/year	24,219	190,721	21,616	183,030
Amount transferred from collective assessment	409	4,800	409	4,800
Amount transferred to allowance for impairment losses on securities	-	(14,211)	-	(14,211)
Amount written back in respect of recoveries	(23,407)	(90,853)	(22,837)	(86,663)
Amount written off	(5,724)	(94,650)	(5,724)	(89,303)
Unwinding income	(2,184)	(11,524)	(2,160)	(11,301)
Exchange difference	2,172	(243)	152	45
As at end of the financial period/year	<u><u>521,503</u></u>	<u><u>526,018</u></u>	<u><u>441,563</u></u>	<u><u>450,107</u></u>

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**A12 Other assets**

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>30/09/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Foreclosed properties	1,112	1,112	1,112	1,112
Sundry debtors and other prepayments	164,990	159,527	99,654	111,688
Treasury related receivables	313,789	255,608	313,789	254,632
Other receivables	289,969	472,353	236,446	427,078
	<u>769,860</u>	<u>888,600</u>	<u>651,001</u>	<u>794,510</u>

**A13 Deposits from customers**

A13a By type of deposit

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>30/09/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Fixed deposits	73,701,084	73,423,719	65,129,912	66,079,991
Negotiable instruments of deposit	8,587,903	8,147,193	7,558,170	6,709,548
	<u>82,288,987</u>	<u>81,570,912</u>	<u>72,688,082</u>	<u>72,789,539</u>
Demand deposits	18,425,852	17,563,960	16,820,897	16,037,087
Saving deposits	14,559,459	14,439,487	12,473,133	12,342,637
Short term corporate placement	9,756,927	9,743,050	7,374,506	7,685,837
Other	420,118	319,661	411,429	313,531
	<u>125,451,343</u>	<u>123,637,070</u>	<u>109,768,047</u>	<u>109,168,631</u>

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**A13 Deposits from customers (continued)**

A13b By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>30/09/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Government and statutory bodies	3,173,802	3,486,932	1,993,630	2,492,761
Business enterprises	50,626,003	49,835,642	41,726,237	40,745,271
Individuals	66,181,823	66,104,854	61,352,959	62,295,411
Others	5,469,715	4,209,642	4,695,221	3,635,188
	<u>125,451,343</u>	<u>123,637,070</u>	<u>109,768,047</u>	<u>109,168,631</u>

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

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>30/09/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Due within six months	59,893,371	57,645,995	53,000,100	51,216,469
More than six months to one year	18,697,041	19,875,082	16,204,141	17,708,225
More than one year to five years	3,618,283	3,939,835	3,403,549	3,754,845
More than five years	80,292	110,000	80,292	110,000
	<u>82,288,987</u>	<u>81,570,912</u>	<u>72,688,082</u>	<u>72,789,539</u>

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

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>30/09/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Licensed banks	4,905,055	9,840,902	4,904,638	9,785,220
Licensed investment banks	-	322,879	-	300,874
Licensed Islamic banks	448,801	930,887	-	-
Other financial institutions	429,470	472,479	-	80,020
	<u>5,783,326</u>	<u>11,567,147</u>	<u>4,904,638</u>	<u>10,166,114</u>
The maturity structure of deposits and placements of banks and other financial institutions:				
- One year or less (short term)	<u>5,783,326</u>	<u>11,567,147</u>	<u>4,904,638</u>	<u>10,166,114</u>

**A15 Other liabilities**

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>30/09/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Zakat	250	200	-	-
Post employment benefits obligation				
- defined contribution plan	2,948	2,948	2,948	2,948
Loan advance payment	1,681,617	1,603,098	1,364,318	1,309,788
Amount due to Cagamas Berhad	170,160	172,115	170,160	172,115
Amount due to subsidiary companies	-	-	104,814	129,742
Treasury/cheque clearing	(223,515)	187,584	(783,302)	31,565
Treasury related payable	125,396	21,416	125,396	21,416
Sundry creditors and accruals	610,026	543,355	518,662	499,766
Provision for bonus and staff related expenses	192,177	151,144	185,340	145,552
Others	430,648	584,587	186,768	567,380
	<u>2,989,707</u>	<u>3,266,447</u>	<u>1,875,104</u>	<u>2,880,272</u>

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**A16 Senior bonds**

		<u><b>The Group and The Bank</b></u>	
		<u><b>30/09/2013</b></u>	<u><b>30/06/2013</b></u>
		<u><b>RM'000</b></u>	<u><b>RM'000</b></u>
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		120,750	60,150
		<u>1,956,300</u>	<u>1,895,700</u>
Add: Interest payable		15,182	16,192
		<u>1,971,482</u>	<u>1,911,892</u>
Less: Unamortised discounts		(8,873)	(9,721)
		<u><u>1,962,609</u></u>	<u><u>1,902,171</u></u>

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

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

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

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

**A17 Subordinated bonds**

		<u><b>The Group</b></u>		<u><b>The Bank</b></u>	
		<u><b>30/09/2013</b></u>	<u><b>30/06/2013</b></u>	<u><b>30/09/2013</b></u>	<u><b>30/06/2013</b></u>
		<u><b>RM'000</b></u>	<u><b>RM'000</b></u>	<u><b>RM'000</b></u>	<u><b>RM'000</b></u>
	Note				
RM700 million Tier 2 subordinated debt, at par	(a)	700,000	700,000	700,000	700,000
Add: Interest payable		4,651	12,836	4,651	12,836
		<u>704,651</u>	<u>712,836</u>	<u>704,651</u>	<u>712,836</u>
Less: Unamortised discounts		(577)	(741)	(577)	(741)
		<u><u>704,074</u></u>	<u><u>712,095</u></u>	<u><u>704,074</u></u>	<u><u>712,095</u></u>
RM1.0 billion Tier 2 subordinated debt, at par	(b)	1,000,000	1,000,000	1,000,000	1,000,000
Add: Interest payable		17,638	6,674	17,638	6,674
		<u>1,017,638</u>	<u>1,006,674</u>	<u>1,017,638</u>	<u>1,006,674</u>
Less: Unamortised discounts		(1,118)	(1,341)	(1,118)	(1,341)
		<u><u>1,016,520</u></u>	<u><u>1,005,333</u></u>	<u><u>1,016,520</u></u>	<u><u>1,005,333</u></u>



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**A17 Subordinated bonds (continued)**

		<u>The Group</u>		<u>The Bank</u>	
		30/09/2013	30/06/2013	30/09/2013	30/06/2013
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Subordinated medium term notes, at par	(c)	1,160,000	1,160,000	1,160,000	1,160,000
Add: Interest payable		13,168	9,307	13,168	9,307
		<u>1,173,168</u>	<u>1,169,307</u>	<u>1,173,168</u>	<u>1,169,307</u>
Less: Unamortised discounts		(4,948)	(6,985)	(4,948)	(6,985)
Fair value adjustments on completion of business combination accounting		2,034	3,829	2,033	3,827
		<u>1,170,254</u>	<u>1,166,151</u>	<u>1,170,253</u>	<u>1,166,149</u>
RM1.5 billion Tier 2 subordinated debt, at par	(d)	1,500,000	1,500,000	1,500,000	1,500,000
Add: Interest payable		18,308	1,295	18,308	1,295
		<u>1,518,308</u>	<u>1,501,295</u>	<u>1,518,308</u>	<u>1,501,295</u>
Less: Unamortised discounts		(2,104)	(2,271)	(2,104)	(2,271)
		<u>1,516,204</u>	<u>1,499,024</u>	<u>1,516,204</u>	<u>1,499,024</u>
		<u>4,407,052</u>	<u>4,382,603</u>	<u>4,407,051</u>	<u>4,382,601</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.

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**A17 Subordinated bonds (continued)**

- (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.

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 HLB.

- (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.

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**A18 Non-innovative Tier 1 stapled securities**

	<b><u>The Group and The Bank</u></b>	
	<b><u>30/09/2013</u></b>	<b><u>30/06/2013</u></b>
	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>
RM1.4 billion Non-Innovative Tier 1 stapled securities, at par	1,400,000	1,400,000
Add: Interest payable	28,667	10,847
	<u>1,428,667</u>	<u>1,410,847</u>
Less: Unamortised discounts	(1,546)	(1,855)
	<u><u>1,427,121</u></u>	<u><u>1,408,992</u></u>

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

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

**A19 Innovative Tier 1 capital securities**

	<b><u>The Group</u></b>		<b><u>The Bank</u></b>	
	<b><u>30/09/2013</u></b>	<b><u>30/06/2013</u></b>	<b><u>30/09/2013</u></b>	<b><u>30/06/2013</u></b>
	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>
RM500 million Innovative Tier 1 capital securities at par	500,000	500,000	500,000	500,000
Add: Interest payable	2,373	12,658	2,373	12,658
	<u>502,373</u>	<u>512,658</u>	<u>502,373</u>	<u>512,658</u>
Less: Unamortised discounts	(9,642)	(10,012)	(9,642)	(10,012)
Fair value adjustments on completion of business combination accounting	49,231	53,396	49,231	53,396
	<u><u>541,962</u></u>	<u><u>556,042</u></u>	<u><u>541,962</u></u>	<u><u>556,042</u></u>

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

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

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

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**A20 Interest income**

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2013	30/09/2012	30/09/2013	30/09/2012
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>Group</b>				
Loan, advances and financing	1,020,726	989,070	1,020,726	989,070
Money at call and deposit placements with financial institutions	134,733	98,305	134,733	98,305
Securities purchased under resale agreements	8,169	5,724	8,169	5,724
Financial assets held-for-trading	133,512	186,263	133,512	186,263
Financial investments available-for-sale	98,905	74,316	98,905	74,316
Financial investments held-to-maturity	30,191	24,697	30,191	24,697
Others	64	58	64	58
	<u>1,426,300</u>	<u>1,378,433</u>	<u>1,426,300</u>	<u>1,378,433</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>5,432</u>	<u>6,620</u>	<u>5,432</u>	<u>6,620</u>

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2013	30/09/2012	30/09/2013	30/09/2012
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>Bank</b>				
Loan, advances and financing	1,015,098	986,652	1,015,098	986,652
Money at call and deposit placements with financial institutions	140,989	98,922	140,989	98,922
Securities purchased under resale agreements	8,169	5,724	8,169	5,724
Financial assets held-for-trading	139,680	191,812	139,680	191,812
Financial investments available-for-sale	89,902	69,941	89,902	69,941
Financial investments held-to-maturity	38,631	30,435	38,631	30,435
Others	11,655	11,705	11,655	11,705
	<u>1,444,124</u>	<u>1,395,191</u>	<u>1,444,124</u>	<u>1,395,191</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>5,432</u>	<u>6,620</u>	<u>5,432</u>	<u>6,620</u>

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**A21 Interest expense**

	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/09/2013</b>	<b>30/09/2012</b>	<b>30/09/2013</b>	<b>30/09/2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>				
Deposits and placements of banks and other financial institutions	34,308	25,379	34,308	25,379
Deposits from customers	584,099	560,363	584,099	560,363
Short term corporate placements	58,313	80,263	58,313	80,263
Senior bonds	17,770	17,551	17,770	17,551
Tier-2 subordinated bonds	49,007	44,534	49,007	44,534
Non-innovative Tier-1 stapled securities	18,129	18,241	18,129	18,241
Innovative Tier-1 capital securities	6,601	5,579	6,601	5,579
Others	2,523	2,574	2,523	2,574
	<u>770,750</u>	<u>754,484</u>	<u>770,750</u>	<u>754,484</u>

	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/09/2013</b>	<b>30/09/2012</b>	<b>30/09/2013</b>	<b>30/09/2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Bank</b>				
Deposits and placements of banks and other financial institutions	37,737	25,736	37,737	25,736
Deposits from customers	606,486	583,157	606,486	583,157
Short term corporate placements	58,313	80,263	58,313	80,263
Senior bonds	17,770	17,551	17,770	17,551
Tier-2 subordinated bonds	52,903	50,178	52,903	50,178
Non-innovative Tier-1 stapled securities	18,129	18,241	18,129	18,241
Innovative Tier-1 capital securities	6,601	5,901	6,601	5,901
Others	2,523	2,574	2,523	2,574
	<u>800,462</u>	<u>783,601</u>	<u>800,462</u>	<u>783,601</u>

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**A22 Net income from Islamic Banking business**

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2013 RM'000	30/09/2012 RM'000	30/09/2013 RM'000	30/09/2012 RM'000
<b>Group</b>				
Income derived from investment of depositors' funds and others	217,903	216,224	217,903	216,224
of which Finance income	216,556	213,709	216,556	213,709
of which other operating income	1,347	2,515	1,347	2,515
Income derived from investment of shareholders' funds	20,676	7,229	20,676	7,229
of which Finance income	16,299	2,159	16,299	2,159
of which other operating income	4,377	5,070	4,377	5,070
Income attributable to depositors	(130,229)	(111,612)	(130,229)	(111,612)
	108,350	111,841	108,350	111,841

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**A23 Other operating income**

	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/09/2013</b>	<b>30/09/2012</b>	<b>30/09/2013</b>	<b>30/09/2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Group</u></b>				
<b>(a) <u>Fee income:</u></b>				
Commissions	33,430	33,042	33,430	33,042
Service charges and fees	10,487	9,349	10,487	9,349
Guarantee fees	6,144	5,675	6,144	5,675
Credit card related fees	74,523	65,332	74,523	65,332
Corporate advisory fees	15	451	15	451
Commitment fees	9,242	8,511	9,242	8,511
Fee on loans, advances and financing	17,364	18,892	17,364	18,892
Other fee income	11,538	7,297	11,538	7,297
	<u>162,743</u>	<u>148,549</u>	<u>162,743</u>	<u>148,549</u>
<b>(b) <u>Gain arising from sale of financial assets:</u></b>				
Net gain from sale of financial assets held-for-trading	1,208	11,661	1,208	11,661
Net gain from sale of derivative financial instruments	11,039	13,083	11,039	13,083
Net gain from sale of financial investments available-for-sale	13,644	25,780	13,644	25,780
Net gain from redemption of financial investments held-to-maturity	9	8,378	9	8,378
	<u>25,900</u>	<u>58,902</u>	<u>25,900</u>	<u>58,902</u>
<b>(c) <u>Gross dividend income from:</u></b>				
Financial investments available-for-sale	13,998	12,231	13,998	12,231

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**A23 Other operating income** (continued)

	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/09/2013</b>	<b>30/09/2012</b>	<b>30/09/2013</b>	<b>30/09/2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(d) <u>Net unrealised gain on revaluation of:</u>				
- Financial assets held-for-trading	4,347	(6,260)	4,347	(6,260)
- Derivatives financial instruments	12,541	11,157	12,541	11,157
	<u>16,888</u>	<u>4,897</u>	<u>16,888</u>	<u>4,897</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>(2,830)</u>	<u>(7,688)</u>	<u>(2,830)</u>	<u>(7,688)</u>
(f) <u>Net unrealised gain on fair value changes arising from fair value hedges</u>	<u>-</u>	<u>2,788</u>	<u>-</u>	<u>2,788</u>
(g) <u>Other income:</u>				
Foreign exchange gain	43,232	41,142	43,232	41,142
Rental income	1,311	1,299	1,311	1,299
Gain on disposal of property and equipment (net)	8	131	8	131
Others	4,256	4,487	4,256	4,487
	<u>48,807</u>	<u>47,059</u>	<u>48,807</u>	<u>47,059</u>
Total other operating income	<u><u>265,506</u></u>	<u><u>266,738</u></u>	<u><u>265,506</u></u>	<u><u>266,738</u></u>



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**A23 Other operating income** (continued)

	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/09/2013</b>	<b>30/09/2012</b>	<b>30/09/2013</b>	<b>30/09/2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Bank</u></b>				
<b>(a) <u>Fee income:</u></b>				
Commissions	33,329	32,989	33,329	32,989
Service charges and fees	10,453	9,374	10,453	9,374
Guarantee fees	6,123	5,666	6,123	5,666
Credit card related fees	74,523	65,332	74,523	65,332
Corporate advisory fees	15	451	15	451
Commitment fees	9,241	8,515	9,241	8,515
Fee on loans, advances and financing	17,364	18,892	17,364	18,892
Other fee income	11,423	7,709	11,423	7,709
	<u>162,471</u>	<u>148,928</u>	<u>162,471</u>	<u>148,928</u>
<b>(b) <u>Gain arising from sale of financial assets:</u></b>				
Net gain from sale of financial assets held-for-trading	1,208	11,661	1,208	11,661
Net gain from sale of derivative financial instruments	11,039	13,083	11,039	13,083
Net gain from sale of financial investments available-for-sale	11,576	25,762	11,576	25,762
Net gain from redemption of financial investments held-to-maturity	9	8,378	9	8,378
	<u>23,832</u>	<u>58,884</u>	<u>23,832</u>	<u>58,884</u>
<b>(c) <u>Gross dividend income from:</u></b>				
Associated company	76,859	51,344	76,859	51,344
Financial investments available-for-sale	13,998	12,231	13,998	12,231
	<u>90,857</u>	<u>63,575</u>	<u>90,857</u>	<u>63,575</u>

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**A23 Other operating income** (continued)

	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/09/2013</b>	<b>30/09/2012</b>	<b>30/09/2013</b>	<b>30/09/2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(d) <u>Net unrealised gain on revaluation of:</u>				
- Financial assets held-for-trading	4,347	(6,260)	4,347	(6,260)
- Derivatives financial instruments	12,541	11,157	12,541	11,157
	<u>16,888</u>	<u>4,897</u>	<u>16,888</u>	<u>4,897</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>(2,205)</u>	<u>(6,600)</u>	<u>(2,205)</u>	<u>(6,600)</u>
(f) <u>Net unrealised gain on fair value changes arising from fair value hedges</u>	<u>-</u>	<u>2,788</u>	<u>-</u>	<u>2,788</u>
(g) <u>Other income:</u>				
Foreign exchange gain	43,134	40,612	43,134	40,612
Rental income	1,311	1,299	1,311	1,299
Gain on disposal of property and equipment (net)	8	131	8	131
Others	4,865	4,289	4,865	4,289
	<u>49,318</u>	<u>46,331</u>	<u>49,318</u>	<u>46,331</u>
Total other operating income	<u><u>341,161</u></u>	<u><u>318,803</u></u>	<u><u>341,161</u></u>	<u><u>318,803</u></u>

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**A24 Other operating expenses**

<b>Group</b>	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/09/2013</b>	<b>30/09/2012</b>	<b>30/09/2013</b>	<b>30/09/2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	223,973	212,512	223,973	212,512
- Medical expenses	5,804	5,524	5,804	5,524
- Training and convention expenses	3,461	4,951	3,461	4,951
- Staff welfare	3,501	3,086	3,501	3,086
- Others	5,313	6,127	5,313	6,127
<u>Establishment costs</u>				
- Depreciation of property and equipment	26,654	27,703	26,654	27,703
- Amortisation of intangible assets	23,447	24,312	23,447	24,312
- Rental	18,443	20,299	18,443	20,299
- Information technology expenses	24,597	21,826	24,597	21,826
- Security services	7,916	5,471	7,916	5,471
- Electricity, water and sewerage	5,705	9,413	5,705	9,413
- Hire of plant and machinery	3,490	3,884	3,490	3,884
- Others	7,362	5,462	7,362	5,462
<u>Marketing expenses</u>				
- Advertisement and publicity	5,966	7,529	5,966	7,529
- Credit card related fees	20,282	15,848	20,282	15,848
- Others	3,474	3,923	3,474	3,923
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,301	3,587	2,301	3,587
- Stationery & printing	3,203	4,230	3,203	4,230
- Professional fees	20,749	20,121	20,749	20,121
- Insurance fees	5,585	4,244	5,585	4,244
- Stamp, postage and courier	4,023	6,741	4,023	6,741
- Credit card fees	19,880	16,266	19,880	16,266
- Travelling and transport expenses	1,621	1,402	1,621	1,402
- Registration and license fees	1,332	1,175	1,332	1,175
- Brokerage and commission	1,217	1,261	1,217	1,261
- Others	5,655	5,956	5,655	5,956
	<u>454,954</u>	<u>442,853</u>	<u>454,954</u>	<u>442,853</u>

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**A24 Other operating expenses (continued)**

	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/09/2013</b>	<b>30/09/2012</b>	<b>30/09/2013</b>	<b>30/09/2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Bank</u></b>				
<b><u>Personnel costs</u></b>				
- Salaries, allowances and bonuses	189,202	181,438	189,202	181,438
- Medical expenses	4,888	4,655	4,888	4,655
- Training and convention expenses	2,914	4,400	2,914	4,400
- Staff welfare	3,234	2,517	3,234	2,517
- Others	4,485	4,709	4,485	4,709
<b><u>Establishment costs</u></b>				
- Depreciation of property and equipment	25,382	26,743	25,382	26,743
- Amortisation of intangible assets	22,530	23,561	22,530	23,561
- Rental	15,256	16,649	15,256	16,649
- Information technology expenses	22,450	19,485	22,450	19,485
- Security services	6,441	4,411	6,441	4,411
- Electricity, water and sewerage	4,975	9,090	4,975	9,090
- Hire of plant and machinery	3,309	3,044	3,309	3,044
- Others	2,402	511	2,402	511
<b><u>Marketing expenses</u></b>				
- Advertisement and publicity	5,455	7,205	5,455	7,205
- Credit card related fees	20,282	15,848	20,282	15,848
- Others	3,218	3,887	3,218	3,887
<b><u>Administration and general expenses</u></b>				
- Teletransmission expenses	2,221	3,861	2,221	3,861
- Stationery & printing	3,137	4,207	3,137	4,207
- Professional fees	20,304	19,732	20,304	19,732
- Insurance fees	4,744	3,693	4,744	3,693
- Stamp, postage and courier	3,997	6,724	3,997	6,724
- Credit card fees	19,880	16,266	19,880	16,266
- Travelling and transport expenses	1,240	1,098	1,240	1,098
- Registration and license fees	1,149	1,127	1,149	1,127
- Brokerage and commission	1,061	1,171	1,061	1,171
- Others	6,896	5,497	6,896	5,497
	<u>401,052</u>	<u>391,529</u>	<u>401,052</u>	<u>391,529</u>

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

	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/09/2013</b>	<b>30/09/2012</b>	<b>30/09/2013</b>	<b>30/09/2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>				
Allowance for impairment losses on loans, advances and financing:				
- collective assessment allowance	49,294	56,815	49,294	56,815
- individual assessment allowance	812	(7,916)	812	(7,916)
Impaired loans and financing:				
- written off	6,337	4,750	6,337	4,750
- recovered	(74,423)	(68,370)	(74,423)	(68,370)
	<u>(17,980)</u>	<u>(14,721)</u>	<u>(17,980)</u>	<u>(14,721)</u>

	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/09/2013</b>	<b>30/09/2012</b>	<b>30/09/2013</b>	<b>30/09/2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Bank</b>				
Allowance for impairment losses on loans, advances and financing:				
- collective assessment allowance	51,240	71,625	51,240	71,625
- individual assessment allowance	(1,221)	(7,449)	(1,221)	(7,449)
Impaired loans and financing:				
- written off	5,756	4,419	5,756	4,419
- recovered	(67,817)	(61,627)	(67,817)	(61,627)
	<u>(12,042)</u>	<u>6,968</u>	<u>(12,042)</u>	<u>6,968</u>

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**A26 Capital adequacy**

The Group's and the Bank's regulatory capital is governed by BNM Capital Adequacy Framework guidelines. With effect from 1 January 2013, the capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework issued on 28 November 2012. The Framework sets out the approach for computing the regulatory capital adequacy ratios, as well as the levels of the ratios at which banking institutions are required to operate. The Framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. In line with the transitional arrangements under the BNM's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for common equity Tier I (CET I) capital ratio and Tier I capital ratio are 3.50% and 4.50% respectively for year 2013. The minimum regulatory capital adequacy requirement remains at 8.00% (2012: 8.00%) for total capital ratio.

The risk-weighted assets ("RWA") of the Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk computation.

**Basel III**

- (a) The capital adequacy ratios of the Group and the Bank are as follows:

	<b>The Group</b>		<b>The Bank</b>	
	<b>Financial Period Ended 30/09/2013</b>	<b>Financial Year Ended 30/06/2013</b>	<b>Financial Period Ended 30/09/2013</b>	<b>Financial Year Ended 30/06/2013</b>
<b>Before deducting proposed dividends</b>				
CET I capital ratio	10.380%	10.627%	9.977%	10.156%
Tier I capital ratio	12.026%	12.319%	11.844%	12.062%
Total capital ratio	<u>14.744%</u>	<u>15.179%</u>	<u>13.320%</u>	<u>13.592%</u>
<b>After deducting proposed dividends</b>				
CET I capital ratio	9.999%	10.236%	9.545%	9.715%
Tier I capital ratio	11.645%	11.927%	11.412%	11.621%
Total capital ratio	<u>14.363%</u>	<u>14.787%</u>	<u>12.888%</u>	<u>13.150%</u>

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**A26 Capital adequacy (continued)**

**Basel III**

(b) The components of CET 1, Tier I and Tier II capital under the revised Capital Components Framework are as follows:

	<b>The Group</b>		<b>The Bank</b>	
	<b>Financial Period Ended 30/09/2013 RM'000</b>	<b>Financial Year Ended 30/06/2013 RM'000</b>	<b>Financial Period Ended 30/09/2013 RM'000</b>	<b>Financial Year Ended 30/06/2013 RM'000</b>
<b>CET I capital</b>				
Paid-up share capital	1,879,909	1,879,909	1,879,909	1,879,909
Share premium	2,832,383	2,832,383	2,832,383	2,832,383
Retained profits	6,057,620	6,197,372	4,721,674	4,835,280
Other reserves	2,867,951	2,699,050	2,481,453	2,360,778
Less: Treasury shares	(656,330)	(661,809)	(656,330)	(661,809)
Less: Other Intangible Assets	(362,690)	(369,415)	(349,489)	(362,855)
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)
<b>Total CET I capital</b>	<b>10,787,531</b>	<b>10,746,178</b>	<b>9,138,053</b>	<b>9,112,139</b>
<b>Additional Tier I capital</b>				
Non-innovative Tier I stapled securities	1,260,000	1,260,000	1,260,000	1,260,000
Innovative Tier I capital securities	450,000	450,000	450,000	450,000
<b>Total additional Tier I capital</b>	<b>1,710,000</b>	<b>1,710,000</b>	<b>1,710,000</b>	<b>1,710,000</b>
<b>Total Tier I capital</b>	<b>12,497,531</b>	<b>12,456,178</b>	<b>10,848,053</b>	<b>10,822,139</b>
<b>Tier II capital</b>				
Collective assessment allowance <sup>^</sup>	769,223	800,960	642,402	666,131
Subordinated bonds	3,924,000	3,924,000	3,924,000	3,924,000
<b>Total Tier II capital</b>	<b>4,693,223</b>	<b>4,724,960</b>	<b>4,566,402</b>	<b>4,590,131</b>
Less: Investment in subsidiary companies	-	-	(2,191,047)	(2,194,913)
Less: Investment in associated company	(1,786,334)	(1,752,949)	(946,505)	(946,505)
Less: Investment in jointly controlled entity	(82,019)	(79,945)	(76,711)	(76,711)
	<b>(1,868,353)</b>	<b>(1,832,894)</b>	<b>(3,214,263)</b>	<b>(3,218,129)</b>
<b>Total capital</b>	<b>15,322,401</b>	<b>15,348,244</b>	<b>12,200,192</b>	<b>12,194,141</b>

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

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**A26 Capital adequacy (continued)**

**Basel III**

(c) The breakdown of RWA by each major risk category is as follows:

	<b>The Group</b>		<b>The Bank</b>	
	<b>Financial Period Ended 30/09/2013 RM'000</b>	<b>Financial Year Ended 30/06/2013 RM'000</b>	<b>Financial Period Ended 30/09/2013 RM'000</b>	<b>Financial Year Ended 30/06/2013 RM'000</b>
Credit risk	93,008,723	91,059,541	82,014,268	80,746,066
Market risk	3,984,301	3,429,463	3,663,454	3,322,591
Operational risk	6,931,774	6,628,544	5,913,481	5,649,356
<b>Total RWA</b>	<b>103,924,798</b>	<b>101,117,548</b>	<b>91,591,203</b>	<b>89,718,013</b>

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

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	<b>Financial Period Ended 30/09/2013</b>	<b>Financial Year Ended 30/06/2013</b>
<b>Before deducting proposed dividends</b>		
CET I capital ratio	10.804%	11.070%
Tier I capital ratio	10.804%	11.070%
Total capital ratio	<u>13.752%</u>	<u>14.153%</u>
<b>After deducting proposed dividends</b>		
CET I capital ratio	10.464%	10.720%
Tier I capital ratio	10.464%	10.720%
Total capital ratio	<u>13.411%</u>	<u>13.804%</u>



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**A27 Group segmental reporting on revenue, profit and assets**

	Financial quarter ended 30/09/2013				Total RM'000
	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas Associate and Jointly Controlled Entity RM'000	
<b><u>By business segment</u></b>					
External revenue	560,985	116,443	351,978	-	1,029,406
Inter-segment revenue	68,658	134,673	(203,331)	-	-
Segment revenue	<u>629,643</u>	<u>251,116</u>	<u>148,647</u>	<u>-</u>	<u>1,029,406</u>
Segment profit before taxation	265,494	227,412	114,888	-	607,794
Share of profit after tax of equity accounted associated company				89,471	89,471
Share of profit after tax of equity accounted jointly controlled entity				2,074	2,074
Profit before taxation and zakat					<u>699,339</u>
Taxation and zakat					<u>(154,852)</u>
Profit after taxation					<u><u>544,487</u></u>

	Financial period ended 30/09/2013				Total RM'000
	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas Associate and Jointly Controlled Entity RM'000	
<b><u>By business segment</u></b>					
External revenue	560,985	116,443	351,978	-	1,029,406
Inter-segment revenue	68,658	134,673	(203,331)	-	-
Segment revenue	<u>629,643</u>	<u>251,116</u>	<u>148,647</u>	<u>-</u>	<u>1,029,406</u>
Segment profit before taxation	265,494	227,412	114,888	-	607,794
Share of profit after tax of equity accounted associated company				89,471	89,471
Share of profit after tax of equity accounted jointly controlled entity				2,074	2,074
Profit before taxation and zakat					<u>699,339</u>
Taxation and zakat					<u>(154,852)</u>
Profit after taxation					<u><u>544,487</u></u>
Segment assets	67,532,720	29,775,901	55,837,102	-	153,145,723
Unallocated assets					9,278,533
Total assets					<u><u>162,424,256</u></u>

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

Corresponding quarter ended 30/09/2012

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

Corresponding financial period ended 30/09/2012

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

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**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 30 September 2013.

**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) On 4 July 2013, the Bank announced that Hong Leong Bank (Cambodia) PLC (“HLBCAM”), a wholly-owned subsidiary of the Bank, had been granted the license to carry out banking operations in the Kingdom of Cambodia by the National Bank of Cambodia. HLBCAM commenced operations on 8 July 2013.
- (b) On 28 August 2013, the Bank announced that the liquidator of CFB Asa Berhad (“CFB”), a wholly-owned subsidiary of the Bank, had convened the final meeting for CFB to conclude the member’s voluntary winding-up of CFB. The Return by Liquidator Relating to Final Meeting of CFB was lodged on 28 August 2013 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, CFB will be dissolved.
- (c) On 11 October 2013, the Bank announced that the proposed acquisition of Promilia Berhad (“Promilia”) had been completed on the same day. With effect from 11 October 2013, Promilia will be a wholly-owned subsidiary of the Bank.

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**A30 Commitments and contingencies**

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

The commitments and contingencies constitute the following:

	The Group		The Bank	
	30/09/2013 RM'000	30/06/2013 RM'000	30/09/2013 RM'000	30/06/2013 RM'000
<b>Principal Amount</b>				
Direct credit substitutes	269,314	282,262	267,921	280,859
Certain transaction related contingent items	1,584,458	1,629,933	1,514,821	1,559,520
Short term self liquidating trade related contingencies	791,530	891,468	765,987	845,800
Irrevocable commitments to extend credit:				
- maturity more than one year	15,608,243	14,108,639	13,096,089	11,415,226
- maturity less than one year	17,182,478	17,331,901	16,407,157	16,468,730
Foreign exchange related contracts:				
- less than one year	36,045,215	38,342,314	39,611,086	42,204,011
- one year to less than five years	3,877,323	3,649,055	3,910,848	3,682,060
- five years and above	622,756	603,465	622,756	603,465
Interest rate related contracts:				
- less than one year	29,564,238	17,140,615	29,464,238	17,040,615
- one year to less than five years	41,395,786	42,439,167	39,835,786	41,139,167
- five years and above	15,951,252	14,773,860	15,801,252	14,623,860
Equity related contracts:				
- less than one year	97,925	54,168	97,925	54,168
Unutilised credit card lines	8,273,859	8,331,904	8,273,859	8,331,904
<b>Total</b>	<b>171,264,377</b>	<b>159,578,751</b>	<b>169,669,725</b>	<b>158,249,385</b>

**A31 Related party transactions**

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

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**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 RM699.3 million for the current financial quarter ended 30 September 2013, an increase of RM61.9 million or 9.7% as compared to previous corresponding quarter. The increase in pre-tax profit was mainly due to higher net income of RM26.9 million, lower allowance for impairment losses on loans, advances and financing of RM3.3 million, higher write back of impairment losses from securities of RM14.1 million and higher share of profit from Bank of Chengdu and joint venture totaling RM29.8 million. This was offset by higher operating expenses of RM12.1 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 RM265.5 million for the 1st quarter ended September 2013 as compared to previous corresponding quarter of RM306.5 million.

Personal Financial Services's loan base grew from RM62.7 billion in September 2012 to RM66.9 billion in September 2013. Lower pre-tax profit mainly due to higher allowance for impairment losses on loans, advances and financing.

Business and Corporate Banking

The Business and Corporate Banking's segment recorded a pre-tax profit of RM227.4 million for the 1st quarter ended September 2013 as compared to previous corresponding quarter of RM155.3 million.

Business and Corporate Banking's loan base increased from RM27.1 billion in September 2012 to RM 29.7 billion in September 2013. Deposit base registered an increase from RM33.6 billion to RM33.7 billion. Higher pre-tax profit mainly due to higher net interest income and higher write back on impairment losses on loans, advances and financing.

Global Markets

The Global Market's segment recorded a pre-tax profit of RM114.9 million for the 1st quarter ended September 2013 as compared to previous corresponding quarter of RM113.9 million.

Treasury earning assets dropped from RM55.5 billion in September 2012 to RM54.5 billion in September 2013.

**B2 Current Quarter vs. Preceding Quarter**

For the current financial quarter, the Group recorded a pre-tax profit of RM699.3 million as compared to RM529.3 million in the preceding quarter, an increase of RM170.1 million arising from higher net income of RM54.4 million, lower operating expenses of RM39.6 million, lower allowance for impairment losses on loans, advances and financing of RM46.3 million, higher write back of impairment losses from securities of RM12.9 million coupled with higher share of profit from Bank of Chengdu and joint venture of RM16.9 million.

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**B3 Current year prospects**

The Group will continue to strive for sustainable profitability through a universal banking model. Domestically, we will leverage on our close engagement with Personal, Business and Islamic Banking customers to offer a more comprehensive community banking proposition while continuing to build our deposit franchise and strengthening our Wealth Management, Treasury and Transaction Banking offerings. In the meantime, we will also concentrate on the convergence of Digital Banking and Customer Analytics capabilities to give us the critical edge. We will continue to scale up our regional business while seeking organic transformational growth opportunities.

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

This note is not applicable to the Group.

**B5 Taxation**

	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/9/2013</b>	<b>30/09/2012</b>	<b>30/09/2013</b>	<b>30/09/2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>The Group</b>				
Malaysian income tax	157,063	159,463	157,063	159,463
Transfer (to)/from deferred taxation	(2,211)	372	(2,211)	372
	<u>154,852</u>	<u>159,835</u>	<u>154,852</u>	<u>159,835</u>

	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/9/2013</b>	<b>30/09/2012</b>	<b>30/09/2013</b>	<b>30/09/2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>The Bank</b>				
Malaysian income tax	158,962	139,787	158,962	139,787
Transfer to deferred taxation	(2,211)	(3,647)	(2,211)	(3,647)
	<u>156,751</u>	<u>136,140</u>	<u>156,751</u>	<u>136,140</u>

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**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.

**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 25 July 2013, HLB proposed to establish an executive share grant scheme to provide HLB with the flexibility to reward the eligible executives and/or Directors of HLB and its subsidiaries ("HLB Group") ("HLB Eligible Executives") for their contribution to the HLB Group with awards of HLB shares without any contribution payable by the HLB Eligible Executives ("HLB Grants") ("Proposed ESGS").

The Proposed ESGS is subject to approvals being obtained from the following:

- (i) the shareholders of HLB;
- (ii) Bursa Malaysia Securities Berhad ("Bursa Securities"), for the listing of and quotation for the new HLB shares to be issued pursuant to the vesting of HLB Grants under the Proposed ESGS ("Proposed Listing of New HLB Shares"); and
- (iii) other relevant authorities/parties, if required.

Bursa Securities had, via its letter dated 10 September 2013, resolved to approve in-principle the Proposed Listing of New HLB Shares and the shareholders of HLB had, at the Annual General Meeting held on 23 October 2013, approved the Proposed ESGS.

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**B9 Off-balance sheet financial instruments**

Details of financial instruments with off-balance sheet risk as at 30 September 2013:

**The Group**

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
Forwards			
(i) Less than 1 year	26,858,454	313,704	(234,000)
(ii) 1 year to 3 years	277,404	6,820	(3,344)
Swaps			
(i) Less than 1 year	5,092,887	75,262	(51,941)
(ii) 1 year to 3 years	549,123	26,339	(11,522)
(iii) More than 3 years	3,495,205	85,359	(96,753)
Options			
(i) Less than 1 year	4,093,874	29,621	(29,765)
(ii) 1 year to 3 years	178,347	3,576	(3,576)
Interest rate related contracts			
Futures			
(i) Less than 1 year	12,247,280	1,811	(1,805)
(ii) 1 year to 3 years	220,000	3	(115)
(iii) More than 3 years	247,123	59	(5)
Swaps			
(i) Less than 1 year	17,316,958	25,270	(18,218)
(ii) 1 year to 3 years	25,233,506	70,307	(104,133)
(iii) More than 3 years	31,646,409	411,686	(381,514)
Equity related contracts			
(i) Less than 1 year	97,925	2,038	(2,038)
<b>Total</b>	<b>127,554,495</b>	<b>1,051,855</b>	<b>(938,729)</b>



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

Details of financial instruments with off-balance sheet risk as at 30 June 2013:

**The Group**

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
Forwards			
(i) Less than 1 year	28,863,648	232,738	(237,759)
(ii) 1 year to 3 years	146,597	327	(2,392)
Swaps			
(i) Less than 1 year	5,564,615	42,485	(91,037)
(ii) 1 year to 3 years	989,845	13,347	(13,938)
(iii) More than 3 years	2,864,735	70,888	(85,567)
Options			
(i) Less than 1 year	3,914,051	32,849	(30,562)
(ii) 1 year to 3 years	251,343	4,896	(4,896)
Interest rate related contracts			
Futures			
(i) Less than 1 year	1,899,258	129	(1,896)
(ii) 1 year to 3 years	50,001	-	(116)
(iii) More than 3 years	81,462	53	(12)
Swaps			
(i) Less than 1 year	15,241,357	24,259	(23,000)
(ii) 1 year to 3 years	24,873,960	65,362	(100,308)
(iii) More than 3 years	32,207,604	388,209	(361,102)
Equity related contracts			
(i) Less than 1 year	54,168	1,602	(1,602)
<b>Total</b>	<b>117,002,644</b>	<b>877,144</b>	<b>(954,187)</b>

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

Details of financial instruments with off-balance sheet risk as at 30 September 2013:

**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	27,054,346	311,798	(230,886)
(ii) 1 year to 3 years	310,929	5,984	(3,402)
Swaps			
(i) Less than 1 year	8,462,866	79,274	(56,057)
(ii) 1 year to 3 years	549,123	26,339	(11,522)
(iii) More than 3 years	3,495,205	85,359	(96,753)
Options			
(i) Less than 1 year	4,093,874	29,621	(29,765)
(ii) 1 year to 3 years	178,347	3,576	(3,576)
Interest rate related contracts			
Futures			
(i) Less than 1 year	12,247,280	1,811	(1,805)
(ii) 1 year to 3 years	220,000	3	(115)
(iii) More than 3 years	247,123	59	(5)
Swaps			
(i) Less than 1 year	17,216,958	25,270	(17,779)
(ii) 1 year to 3 years	24,903,506	70,307	(101,250)
(iii) More than 3 years	30,266,409	396,691	(370,644)
Equity related contracts			
(i) Less than 1 year	97,925	2,038	(2,038)
<b>Total</b>	<b>129,343,891</b>	<b>1,038,130</b>	<b>(925,597)</b>

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

Details of financial instruments with off-balance sheet risk as at 30 June 2013:

**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	29,468,496	230,869	(232,506)
(ii) 1 year to 3 years	179,602	296	(2,257)
Swaps			
(i) Less than 1 year	8,821,464	117,160	(165,714)
(ii) 1 year to 3 years	989,845	13,347	(13,938)
(iii) More than 3 years	2,864,735	70,888	(85,567)
Options			
(i) Less than 1 year	3,914,051	32,849	(30,562)
(ii) 1 year to 3 years	251,343	4,896	(4,896)
Interest rate related contracts			
Futures			
(i) Less than 1 year	1,899,258	129	(1,896)
(ii) 1 year to 3 years	50,001	-	(116)
(iii) More than 3 years	81,462	53	(12)
Swaps			
(i) Less than 1 year	15,141,357	24,259	(22,422)
(ii) 1 year to 3 years	24,543,960	65,362	(96,940)
(iii) More than 3 years	31,087,604	377,699	(352,821)
Equity related contracts			
(i) Less than 1 year	54,168	1,602	(1,602)
<b>Total</b>	<b>119,347,346</b>	<b>939,409</b>	<b>(1,011,249)</b>

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

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

**Market risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial period, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM244,602,526 (FYE June 2013: RM1,306,394,187) and RM71,135,406,954 (FYE June 2013: RM67,883,822,274) 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 RM998,271,808 (FYE June 2013: RM907,598,806). 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 (i.e. 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 (i.e. cross-currency interest rate swaps). No exchange of principal takes place, except for certain currency swaps. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

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

**Credit risk** (continued)

Derivatives (continued)

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

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

**Liquidity risk**

Derivatives

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

**Related accounting policies**

Derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from a change in the fair value of the derivatives is recognised in the statements of income 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 statements of income. 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 statements of income.

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 statements of income. The deferred gains and losses are then released to the statements of income in the periods when the hedged items affects the statements of income.

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**B10 Material litigation**

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

**B11 Dividend**

No interim dividend has been proposed for the current quarter.

**B12 Realised and Unrealised Profits**

	<b>The Group</b>	
	<b>Financial Period Ended 30/09/2013</b>	<b>Financial Year Ended 30/06/2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained profits of Hong Leong Bank Berhad and it's subsidiaries		
- Realised	4,623,938	4,233,197
- Unrealised	915,736	937,705
	5,539,674	5,170,902
Total share of retained profits from associated company		
- Realised	1,024,465	934,994
Total share of retained profits from jointly controlled entity		
- Realised	5,308	3,234
	6,569,447	6,109,130
Less Consolidation Adjustment	33,721	88,242
Total Group's Retained Profit	6,603,168	6,197,372

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

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

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**B13 Earnings per share**

**(a) Basic earnings per share**

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

	1st Quarter Ended		Cumulative Three Months Ended	
	30/9/2013 RM'000	30/09/2012 RM'000	30/09/2013 RM'000	30/09/2012 RM'000
<b><u>The Group</u></b>				
Net profit attributable to shareholders of the company	544,487	477,634	544,487	477,634
Weighted average number of ordinary shares in issue ('000)	1,879,909	1,879,909	1,879,909	1,879,909
Less: Treasury shares held	(119,797)	(128,174)	(119,797)	(128,174)
	<u>1,760,112</u>	<u>1,751,735</u>	<u>1,760,112</u>	<u>1,751,735</u>
<b>Basic earnings per share (sen)</b>	30.9	27.3	30.9	27.3
<b><u>The Bank</u></b>				
Net profit attributable to shareholders of the company	454,424	397,065	454,424	397,065
Weighted average number of ordinary shares in issue ('000)	1,879,909	1,879,909	1,879,909	1,879,909
Less: Treasury shares held	(119,797)	(128,174)	(119,797)	(128,174)
	<u>1,760,112</u>	<u>1,751,735</u>	<u>1,760,112</u>	<u>1,751,735</u>
<b>Basic earnings per share (sen)</b>	25.8	22.7	25.8	22.7

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**B13 Earnings per share (continued)**

**(b) Fully diluted earnings per share**

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

	1st Quarter Ended		Cumulative Three Months Ended	
	30/9/2013 RM'000	30/09/2012 RM'000	30/09/2013 RM'000	30/09/2012 RM'000
<b><u>The Group</u></b>				
Net profit attributable to shareholders of the company	544,487	477,634	544,487	477,634
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,760,112	1,751,735	1,760,112	1,751,735
- adjustment for ESOS	1,245	4,864	1,245	4,864
	1,761,357	1,756,599	1,761,357	1,756,599
<b>Fully diluted earnings per share (sen)</b>	30.9	27.2	30.9	27.2
<b><u>The Bank</u></b>				
Net profit attributable to shareholders of the company	454,424	397,065	454,424	397,065
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,760,112	1,751,735	1,760,112	1,751,735
- adjustment for ESOS	1,245	4,864	1,245	4,864
	1,761,357	1,756,599	1,761,357	1,756,599
<b>Fully diluted earnings per share (sen)</b>	25.8	22.6	25.8	22.6