

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

Condensed Financial Statements
Unaudited Statements of Financial Position As At 31 December 2013

	Note	The Group		The Bank	
		As at 31/12/2013 RM'000	As at 30/06/2013 RM'000	As at 31/12/2013 RM'000	As at 30/06/2013 RM'000
ASSETS					
Cash and short-term funds		14,704,792	18,047,448	12,653,974	16,719,258
Deposits and placements with financial institutions		4,865,550	5,928,370	4,795,840	6,729,056
Securities purchased under resale agreements		1,010,453	1,025,253	1,010,453	1,025,253
Financial assets held-for-trading	A8	12,136,910	15,195,782	11,023,424	12,106,928
Financial investments available-for-sale	A9	17,484,177	13,827,062	14,741,608	11,635,449
Financial investments held-to-maturity	A10	6,406,888	4,161,012	6,330,021	4,115,805
Loans, advances and financing	A11	98,854,433	95,430,961	84,850,227	81,835,734
Other assets	A12	808,576	888,600	752,179	794,510
Derivative financial instruments		811,375	877,144	788,755	939,409
Amount due from subsidiaries		-	-	6,427	616,487
Statutory deposits with Central Banks		3,466,839	3,432,909	2,937,000	2,917,000
Investment in subsidiary companies		-	-	2,194,974	2,194,913
Investment in associated company		1,869,114	1,752,949	946,505	946,505
Investment in jointly controlled entity		83,847	79,945	76,711	76,711
Property and equipment		768,091	737,535	738,942	712,963
Intangible assets		334,262	369,415	321,008	362,855
Goodwill		1,831,312	1,831,312	1,771,547	1,771,547
Total Assets		165,436,619	163,585,697	145,939,595	145,500,383
LIABILITIES AND SHAREHOLDERS' FUNDS					
Deposits from customers	A13	125,863,975	123,637,070	110,498,282	109,168,631
Deposits and placements of banks and other financial institutions	A14	7,156,147	11,567,147	6,098,925	10,166,114
Obligations on securities sold under repurchase agreements		4,606,627	1,748,744	4,606,627	1,748,744
Bills and acceptances payable		828,087	800,680	802,970	656,892
Other liabilities	A15	3,738,098	3,266,447	2,665,741	2,880,272
Derivative financial instruments		836,211	954,187	810,035	1,011,249
Senior bonds	A16	1,974,126	1,902,171	1,974,126	1,902,171
Tier II subordinated bonds	A17	4,385,936	4,382,603	4,385,934	4,382,601
Non-innovative Tier 1 stapled securities	A18	1,409,581	1,408,992	1,409,581	1,408,992
Innovative Tier 1 capital securities	A19	548,619	556,042	548,619	556,042
Provision for taxation		244,926	213,555	202,374	165,974
Deferred tax liabilities		106,231	111,435	107,421	112,284
Total Liabilities		151,698,564	150,549,073	134,110,635	134,159,966
Share Capital		1,879,909	1,879,909	1,879,909	1,879,909
Reserves		12,512,424	11,818,524	10,603,329	10,122,317
Less: Treasury Shares		(654,278)	(661,809)	(654,278)	(661,809)
Total Shareholders' Equity		13,738,055	13,036,624	11,828,960	11,340,417
Total Liabilities and Equity		165,436,619	163,585,697	145,939,595	145,500,383
COMMITMENTS AND CONTINGENCIES	A30	170,136,361	159,578,751	163,910,451	158,249,385

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

7.80 7.41 6.72 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 31 December 2013

The Group

	Note	Current Quarter Ended 31/12/2013 RM'000	Corresponding Quarter Ended 31/12/2012 RM'000	Current Period Ended 31/12/2013 RM'000	Corresponding Period Ended 31/12/2012 RM'000
Interest income	A20	1,409,334	1,368,408	2,835,634	2,746,841
Interest expense	A21	(757,721)	(752,811)	(1,528,471)	(1,507,295)
Net interest income		651,613	615,597	1,307,163	1,239,546
Net income from Islamic Banking business	A22	112,891	119,063	221,241	230,904
Other operating income	A23	290,467	269,710	555,973	536,448
Net Income		1,054,971	1,004,370	2,084,377	2,006,898
Other operating expenses	A24	(459,611)	(451,611)	(914,565)	(894,464)
Operating profit before allowances		595,360	552,759	1,169,812	1,112,434
Allowance for impairment losses on loans, advances and financing	A25	(20,582)	13,494	(2,602)	28,215
Write back of impairment losses		4,020	3,550	19,382	4,859
Share of profit after tax of equity accounted associated company		578,798	569,803	1,186,592	1,145,508
		82,780	68,339	172,251	129,357
Share of profit after tax of equity accounted jointly controlled entity		1,828	165	3,902	911
Profit before taxation		663,406	638,307	1,362,745	1,275,776
Taxation	B5	(143,119)	(130,316)	(297,971)	(290,151)
Net profit for the financial period		520,287	507,991	1,064,774	985,625
Attributable to:					
Owners of the parent		520,287	507,991	1,064,774	985,625
Earnings per share - basic (sen)	B13(a)	29.6	29.0	60.5	56.2
Earnings per share - fully diluted (sen)	B13(b)	29.5	28.9	60.4	56.1

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 31 December 2013

The Group

	Current Quarter Ended 31/12/2013 RM'000	Corresponding Quarter Ended 31/12/2012 RM'000	Current Period Ended 31/12/2013 RM'000	Corresponding Period Ended 31/12/2012 RM'000
Net profit for the financial period	<u>520,287</u>	<u>507,991</u>	<u>1,064,774</u>	<u>985,625</u>
Other comprehensive (loss)/income :				
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive loss of associated company	-	-	(22)	(22)
Currency translation differences	3,431	719	26,516	(6,139)
Net fair value changes on financial investments available-for-sale	(22,020)	5,793	(6,361)	16,104
Income tax relating to components of other comprehensive loss/(income)	<u>5,505</u>	<u>(1,448)</u>	<u>1,590</u>	<u>(4,026)</u>
Other comprehensive (loss)/income for the financial period	<u>(13,084)</u>	<u>5,064</u>	<u>21,723</u>	<u>5,917</u>
Total comprehensive income for the financial period, net of tax	<u><u>507,203</u></u>	<u><u>513,055</u></u>	<u><u>1,086,497</u></u>	<u><u>991,542</u></u>
Attributable to:				
- Owners of the parent	<u><u>507,203</u></u>	<u><u>513,055</u></u>	<u><u>1,086,497</u></u>	<u><u>991,542</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
(97141-X)
(Incorporated in Malaysia)

Condensed Financial Statements
Unaudited Statements of Income
For The Financial Quarter Ended 31 December 2013

The Bank

	Note	Current Quarter Ended 31/12/2013 RM'000	Corresponding Quarter Ended 31/12/2012 RM'000	Current Period Ended 31/12/2013 RM'000	Corresponding Period Ended 31/12/2012 RM'000
Interest income	A20	1,413,058	1,385,313	2,857,182	2,780,504
Interest expense	A21	(773,356)	(779,364)	(1,573,818)	(1,562,965)
Net interest income		639,702	605,949	1,283,364	1,217,539
Other operating income	A23	339,048	400,559	680,209	719,362
Net Income		978,750	1,006,508	1,963,573	1,936,901
Other operating expenses	A24	(405,180)	(392,924)	(806,232)	(784,453)
Operating profit before allowances		573,570	613,584	1,157,341	1,152,448
Allowance for impairment losses on loans, advances and financing	A25	(19,093)	23,064	(7,051)	16,096
Write back of impairment losses		4,020	3,550	19,382	4,859
Profit before taxation		558,497	640,198	1,169,672	1,173,403
Taxation	B5	(142,374)	(168,313)	(299,125)	(304,453)
Net profit for the financial period		416,123	471,885	870,547	868,950
Attributable to:					
Owners of the parent		416,123	471,885	870,547	868,950
Earnings per share - basic (sen)	B13(a)	23.6	26.9	49.4	49.6
Earnings per share - fully diluted (sen)	B13(b)	23.6	26.8	49.4	49.4

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 Comprehensive Income
For The Financial Quarter Ended 31 December 2013

The Bank

	Current Quarter Ended 31/12/2013 RM'000	Corresponding Quarter Ended 31/12/2012 RM'000	Current Period Ended 31/12/2013 RM'000	Corresponding Period Ended 31/12/2012 RM'000
Net profit for the financial period	416,123	471,885	870,547	868,950
Other comprehensive (loss)/income :				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences	(53)	77	717	11,238
Net fair value changes on financial investments available-for-sale	(13,197)	6,923	3,127	18,607
Income tax relating to components of other comprehensive loss/(income)	3,299	(1,731)	(782)	(4,652)
Other comprehensive (loss)/income for the financial period	(9,951)	5,269	3,062	25,193
Total comprehensive income for the financial period, net of tax	406,172	477,154	873,609	894,143

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 31 December 2013

The Group	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
At 1 July 2013										
- as previously reported	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
Comprehensive income										
Net profit for the financial period	-	-	-	-	-	-	-	1,064,774	-	1,064,774
- Share of other comprehensive loss of associated company	-	-	-	(22)	-	-	-	-	-	(22)
- Net fair value changes in financial investments available-for-sale	-	-	-	(4,771)	-	-	-	-	-	(4,771)
- Currency translation difference	-	-	-	-	-	-	26,516	-	-	26,516
Total comprehensive	-	-	-	(4,793)	-	-	26,516	1,064,774	-	1,086,497
Transactions with owners										
Transfer to statutory reserve/regulatory reserve	-	-	269,771	-	-	-	-	(269,771)	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	(15)	(15)
Dividend paid	-	-	-	-	-	-	-	(396,173)	-	(396,173)
ESOS exercised	-	-	-	-	(1,835)	-	-	3,811	7,546	9,522
Option charge arising from ESOS granted	-	-	-	-	1,600	-	-	-	-	1,600
Total transactions with owners	-	-	269,771	-	(235)	-	-	(662,133)	7,531	(385,066)
At 31 December 2013	1,879,909	2,832,383	2,895,514	158,333	4,890	8,527	12,764	6,600,013	(654,278)	13,738,055
At 1 July 2012										
- 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
Comprehensive income										
Net profit for the financial period	-	-	-	-	-	-	-	985,625	-	985,625
- Share of other comprehensive loss of associated company	-	-	-	(22)	-	-	-	-	-	(22)
- Net fair value changes in financial investments available-for-sale	-	-	-	12,078	-	-	-	-	-	12,078
- Currency translation difference	-	-	-	-	-	-	(6,139)	-	-	(6,139)
Total comprehensive income/(loss)	-	-	-	12,056	-	-	(6,139)	985,625	-	991,542
Transactions with owners										
Transfer to statutory reserve/regulatory reserve	-	-	54,755	-	-	-	-	(54,755)	-	-
Dividend paid	-	-	-	-	-	-	-	(355,251)	-	(355,251)
Purchase of treasury shares	-	-	-	-	-	-	-	-	(13)	(13)
ESOS exercised	-	-	-	-	(2,536)	-	-	2,631	20,760	20,855
Option charge arising from ESOS granted	-	-	-	-	1,618	-	-	-	-	1,618
Total transactions with owners	-	-	54,755	-	(918)	-	-	(407,375)	20,747	(332,791)
At 31 December 2012	1,879,909	2,832,383	2,204,556	204,926	21,565	6,045	(26,919)	5,934,490	(694,045)	12,362,910

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

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

HONG LEONG BANK BERHAD
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Condensed Financial Statements
Unaudited Statement of Changes in Equity For The Financial Period Ended 31 December 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
The Bank									
At 1 July 2013									
- as previously reported	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	-	-	-	-	-	-	870,547	-	870,547
- Net fair value changes in financial investments available-for-sale	-	-	-	2,345	-	-	-	-	2,345
- Currency translation difference	-	-	-	-	-	717	-	-	717
Total comprehensive income	-	-	-	2,345	-	717	870,547	-	873,609
<u>Transactions with owners</u>									
Transfer to statutory reserves	-	-	217,637	-	-	-	(217,637)	-	-
Dividend paid	-	-	-	-	-	-	(396,173)	-	(396,173)
Purchase of treasury shares	-	-	-	-	-	-	-	(15)	(15)
ESOS exercised	-	-	-	-	(1,835)	-	3,811	7,546	9,522
Options charge arising from ESOS granted	-	-	-	-	1,600	-	-	-	1,600
Total transactions with owners	-	-	217,637	-	(235)	-	(609,999)	7,531	(385,066)
At 31 December 2013	1,879,909	2,832,383	2,460,160	173,028	4,890	37,040	5,095,828	(654,278)	11,828,960
At 1 July 2012									
- 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	-	-	-	-	-	-	868,950	-	868,950
- Net fair value changes in financial investments available-for-sale	-	-	-	13,955	-	-	-	-	13,955
- Currency translation difference	-	-	-	-	-	11,238	-	-	11,238
Total comprehensive income	-	-	-	13,955	-	11,238	868,950	-	894,143
<u>Transactions with owners</u>									
Dividend paid	-	-	-	-	-	-	(355,251)	-	(355,251)
Purchase of treasury shares	-	-	-	-	-	-	-	(13)	(13)
ESOS exercised	-	-	-	-	(2,536)	-	2,631	20,760	20,855
Options charge arising from ESOS granted	-	-	-	-	1,618	-	-	-	1,618
Total transactions with owners	-	-	-	-	(918)	-	(352,620)	20,747	(332,791)
At 31 December 2012	1,879,909	2,832,383	1,879,909	207,610	21,565	36,352	4,800,486	(694,045)	10,964,169

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)
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Condensed Financial Statements
Unaudited Condensed Statements of Cash Flows
For The Financial Period Ended 31 December 2013

	The Group		The Bank	
	Financial Period Ended 31/12/2013 RM'000	Financial Period Ended 31/12/2012 RM'000	Financial Period Ended 31/12/2013 RM'000	Financial Period Ended 31/12/2012 RM'000
Profit before taxation	1,362,745	1,275,776	1,169,672	1,173,403
Adjustments for non-cash items	(236,976)	(120,495)	(98,687)	(163,661)
Operating profit before working capital changes	1,125,769	1,155,281	1,070,985	1,009,742
Changes in working capital:				
Net changes in operating assets	723,986	289,991	599,753	(1,519,155)
Net changes in operating liabilities	1,158,639	(4,598,104)	(67,985)	(3,845,500)
Income taxes and zakat paid	(252,285)	(187,877)	(205,267)	(149,587)
Net cash generated from/(used in) operating activities	<u>2,756,109</u>	<u>(3,340,709)</u>	<u>1,397,486</u>	<u>(4,504,500)</u>
Cash flows from investing activities				
Net purchases of financial investments available-for-sale	(3,426,121)	(2,405,973)	(2,892,679)	(2,041,945)
Net (purchases)/proceeds of financial investments held-to-maturity	(2,173,819)	(357,456)	(2,110,362)	439,317
Purchase of property and equipment	(118,040)	(64,749)	(110,422)	(62,336)
Proceeds from sale of property and equipment	32,767	1,721	32,147	1,618
Net purchases of intangible assets	(26,278)	(9,840)	(17,536)	(9,219)
Dividend received on financial investments available-for-sale and held-to-maturity	29,627	53,838	29,627	53,838
Dividend from associated company	56,086	70,361	56,086	70,361
Dividend from subsidiary company	-	-	56,700	111,239
Net cash used in investing activities	<u>(5,625,778)</u>	<u>(2,712,098)</u>	<u>(4,956,439)</u>	<u>(1,437,127)</u>
Cash flows from financing activities				
Dividend paid	(396,173)	(355,251)	(396,173)	(355,251)
Purchase of treasury shares	(15)	(13)	(15)	(13)
Cash received from ESOS exercised	9,522	20,855	9,522	20,855
Interest paid on subordinated obligations	(181,815)	(173,467)	(189,638)	(183,338)
Net cash used in financing activities	<u>(568,481)</u>	<u>(507,876)</u>	<u>(576,304)</u>	<u>(517,747)</u>
Net decrease in cash and cash equivalents	(3,438,150)	(6,560,683)	(4,135,257)	(6,459,374)
Currency translation differences	95,494	(76,311)	69,973	(59,234)
Cash and cash equivalents at the beginning of financial period	18,047,448	19,636,026	16,719,258	18,410,084
Cash and cash equivalents at the end of financial period	<u>14,704,792</u>	<u>12,999,032</u>	<u>12,653,974</u>	<u>11,891,476</u>

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 31 DECEMBER 2013**

A1 Basis of preparation

The unaudited condensed financial statements for the financial period ended 31 December 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 statements for 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 period ended 31 December 2013:-

a) Share Buy-back

During the financial period ended 31 December 2013, the Bank purchased a total of 1,000 ordinary shares of RM1.00 each ('Shares') from the open market. The Shares purchased were being held as treasury shares in accordance with the provision of Section 67A subsection 3(A)(b) of the Companies Act, 1965.

Details of the Shares bought back for the financial period ended 31 December 2013 were as follows:

Month	No of shares bought back	Lowest price paid RM	Highest price paid RM	Average price paid RM	Total consideration (including transaction cost) RM
Jul-13	-	-	-	-	-
Aug-13	-	-	-	-	-
Sep-13	-	-	-	-	-
Oct-13	1,000	14.32	14.32	14.32	14,379
Nov-13	-	-	-	-	-
Dec-13	-	-	-	-	-
For the period	1,000	14.32	14.32	14.32	14,379

The total number of Shares bought back, all of which were held as treasury shares as at 31 December 2013 amounted to 81,100,700 Shares, at an average price per share of RM5.32. None of the treasury shares were resold or cancelled to date.

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

b) Purchase of shares pursuant to ESOS (continued)

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 31 December 2013, the trust did not purchase any new shares. As at 31 December 2013, the total number of Treasury Shares for ESOS was 37,692,619 at an average carrying value of RM5.90 per share.

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

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

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

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

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

During the financial period ended 31 December 2013, a total of 1,329,538 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

A final dividend of 30.0 sen per share less income tax of 25% in respect of financial year ended 30 June 2013 amounting to RM396.2 million was paid on 13 November 2013.

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A8 Financial assets held-for-trading

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2013</u>	<u>30/06/2013</u>	<u>31/12/2013</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	1,366,531	4,961,614	1,029,288	2,535,880
Government treasury bills	279,244	352,727	132,897	352,727
Malaysian Government securities	1,137,660	704,705	1,137,660	704,705
Malaysian Government investment certificates	901,203	692,661	91,316	220,169
Bankers' acceptances and Islamic accepted bills	198,914	3,237,163	93,587	3,038,329
Negotiable instruments of deposit	7,422,612	4,400,751	7,793,906	4,602,982
Cagamas bonds	191,578	20,573	110,422	20,573
	<u>11,497,742</u>	<u>14,370,194</u>	<u>10,389,076</u>	<u>11,475,365</u>
Quoted securities:				
Shares in Malaysia	-	1,326	-	1,326
Shares outside Malaysia	3,519	11,298	3,519	11,298
Unquoted securities:				
Private and Islamic debt securities	585,155	583,887	580,335	412,657
Foreign currency bonds	50,494	229,077	50,494	206,282
Total financial assets held-for-trading	<u><u>12,136,910</u></u>	<u><u>15,195,782</u></u>	<u><u>11,023,424</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>31/12/2013</u>	<u>30/06/2013</u>	<u>31/12/2013</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	621,218	371,911	621,218	371,911
Malaysian Government securities	1,533,002	153,141	1,533,002	153,141
Malaysian Government investment certificates	2,283,733	3,104,568	908,590	2,079,978
Negotiable instruments of deposit	147,776	142,045	148,154	142,574
Other Government securities	535,269	455,868	-	-
Cagamas bonds	766,740	760,660	670,874	669,255
Khazanah Bonds	147,940	-	147,940	-
	<u>6,035,678</u>	<u>4,988,193</u>	<u>4,029,778</u>	<u>3,416,859</u>
Quoted Securities:				
Shares in Malaysia	66,471	81,372	66,471	81,372
Shares outside Malaysia	15	223	15	223
Loans stocks quoted in Malaysia	-	7,437	-	530
Wholesale fund	2,000,000	1,499,900	2,000,000	1,499,900
Unquoted securities:				
Private debt securities in Malaysia	3,341,722	2,583,522	2,768,415	2,060,501
Shares in Malaysia	326,513	326,513	326,446	326,446
Shares outside Malaysia	3,577	3,450	3,577	3,450
Foreign currency bonds in Malaysia	4,276,587	3,396,120	4,113,292	3,305,836
Foreign currency bonds outside Malaysia	1,433,614	940,332	1,433,614	940,332
Total financial investments available-for-sale	<u>17,484,177</u>	<u>13,827,062</u>	<u>14,741,608</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>31/12/2013</u>	<u>30/06/2013</u>	<u>31/12/2013</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	2,692,599	1,616,218	2,692,599	1,616,218
Malaysian Government investment certificates	3,371,910	2,303,940	2,533,863	1,465,068
Cagamas bonds	96,675	76,718	55,733	35,655
Negotiable instruments of deposit	3,719	5,833	943,845	943,717
Other Government securities	116,251	2,541	50,442	2,541
	<u>6,281,154</u>	<u>4,005,250</u>	<u>6,276,482</u>	<u>4,063,199</u>
Unquoted securities in Malaysia:				
Loan stocks	53	120	53	120
Private and Islamic debt securities	72,195	103,156	-	-
Unquoted bonds	486	486	486	486
Investment in preference shares	53,000	52,000	53,000	52,000
	<u>125,734</u>	<u>155,762</u>	<u>53,539</u>	<u>52,606</u>
Total financial investments held-to-maturity	<u>6,406,888</u>	<u>4,161,012</u>	<u>6,330,021</u>	<u>4,115,805</u>

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A11 Loans, advances and financing

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>31/12/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Overdrafts	4,213,939	4,346,203	4,031,702	4,154,195
Term loans:				
- Housing and shop loans/financing	43,597,321	41,135,376	36,428,530	34,134,679
- Syndicated term loan/financing	7,433,659	6,300,297	6,844,820	5,782,212
- Hire purchase receivables	17,520,852	17,408,072	13,761,783	13,612,858
- Other term loans/financing	10,022,570	9,829,885	8,367,386	8,273,558
Credit/charge card receivables	4,274,479	4,088,083	4,274,479	4,088,083
Bills receivables	1,082,315	1,292,482	1,074,586	1,287,605
Trust receipts	339,038	302,199	309,854	298,749
Claims on customers under acceptance credits	6,596,014	7,362,332	6,210,149	6,863,637
Block discounting	6,028	6,030	6,028	6,030
Revolving credits	5,177,857	4,890,478	4,676,139	4,573,967
Staff loans:				
Staffs other than directors	183,571	192,788	169,555	181,530
Other loans/financing	115,880	54,732	110,279	50,910
Gross loans, advances and financing	<u>100,563,523</u>	<u>97,208,957</u>	<u>86,265,290</u>	<u>83,308,013</u>
Fair value changes arising from fair value hedges	40	(7,450)	40	(674)
Unamortised fair value changes arising from terminated fair value hedges	1,457	15,035	6,709	10,524
Allowance for impaired loans, advances and financing:				
- Collective assessment allowance	(1,205,811)	(1,259,563)	(997,258)	(1,032,022)
- Individual assessment allowance	(504,776)	(526,018)	(424,554)	(450,107)
Total net loans, advances and financing	<u><u>98,854,433</u></u>	<u><u>95,430,961</u></u>	<u><u>84,850,227</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>31/12/2013</u>	<u>30/06/2013</u>	<u>31/12/2013</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	230,445	293,310	43,013	101,233
Domestic business enterprises				
- small and medium enterprises	15,328,727	14,516,722	14,187,488	13,466,490
- others	19,068,240	19,560,421	16,990,085	17,495,895
Government and statutory bodies	25,227	23,538	12,957	14,889
Individuals	61,332,604	58,705,833	50,810,131	48,474,121
Other domestic entities	181,383	231,638	149,926	195,723
Foreign entities	4,396,897	3,877,495	4,071,690	3,559,662
Gross loans, advances and financing	<u>100,563,523</u>	<u>97,208,957</u>	<u>86,265,290</u>	<u>83,308,013</u>

A11b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2013</u>	<u>30/06/2013</u>	<u>31/12/2013</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	2,901,014	3,092,687	1,722,956	1,832,102
- Hire purchase receivables	17,097,848	17,032,101	13,338,780	13,240,138
- Other fixed rate loan/financing	7,603,982	7,210,801	6,648,031	6,263,631
Variable rate				
- Base lending rate plus	59,723,845	56,615,136	52,204,733	49,611,579
- Cost plus	13,131,706	12,612,686	12,337,246	11,797,480
- Other variables rates	105,128	645,546	13,544	563,083
Gross loans, advances and financing	<u>100,563,523</u>	<u>97,208,957</u>	<u>86,265,290</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>31/12/2013</u>	<u>30/06/2013</u>	<u>31/12/2013</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	926,907	981,258	911,914	969,569
Purchase of transport vehicles	17,463,863	17,345,577	13,681,956	13,541,768
Purchase of landed properties				
- residential	36,463,139	34,216,321	30,182,985	28,257,239
- non-residential	11,632,427	10,858,636	10,594,778	9,860,975
Purchase of fixed assets (excluding landed properties)	610,969	555,874	564,536	519,919
Personal use	3,491,293	3,502,241	2,796,765	2,744,303
Credit card	4,274,479	4,088,083	4,274,479	4,088,083
Purchase of consumer durables	456	472	454	468
Construction	1,180,999	1,163,851	1,123,360	1,119,190
Mergers and acquisition	349,901	447,926	349,901	447,926
Working capital	21,682,044	21,770,180	19,561,546	19,746,342
Others	2,487,046	2,278,538	2,222,616	2,012,231
Gross loans, advances and financing	<u>100,563,523</u>	<u>97,208,957</u>	<u>86,265,290</u>	<u>83,308,013</u>

A11d By geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2013</u>	<u>30/06/2013</u>	<u>31/12/2013</u>	<u>30/06/2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	97,427,915	94,484,686	83,414,681	80,827,537
Singapore	2,850,609	2,480,476	2,850,609	2,480,476
Vietnam	251,574	243,795	-	-
Cambodia	33,425	-	-	-
Gross loans, advances and financing	<u>100,563,523</u>	<u>97,208,957</u>	<u>86,265,290</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>31/12/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>31/12/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Within one year	27,362,195	27,488,901	25,774,175	25,704,301
One year to less than three years	7,877,307	7,418,422	6,435,949	6,327,512
Three years to less than five years	9,271,377	9,087,625	7,786,889	7,418,718
Five years and more	56,052,644	53,214,009	46,268,277	43,857,482
Gross loans, advances and financing	<u>100,563,523</u>	<u>97,208,957</u>	<u>86,265,290</u>	<u>83,308,013</u>

A11f Impaired loans, advances and financing by economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>31/12/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Purchase of securities	6,500	6,895	6,479	6,854
Purchase of transport vehicles	239,775	220,106	184,647	170,886
Purchase of landed properties				
- residential	254,989	245,899	191,265	191,160
- non-residential	58,026	59,554	49,590	49,303
Purchase of fixed assets (excluding landed properties)	16,417	14,576	14,904	14,413
Personal use	54,906	72,209	43,964	62,319
Credit card	50,920	60,675	50,920	60,675
Purchase of consumer durables	4	4	4	4
Construction	12,224	9,266	10,558	7,609
Working capital	604,520	635,311	522,742	556,327
Others	42,941	34,948	42,613	34,623
	<u>1,341,222</u>	<u>1,359,443</u>	<u>1,117,686</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>31/12/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>31/12/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Malaysia	1,329,355	1,329,644	1,111,007	1,124,735
Singapore	6,679	29,438	6,679	29,438
Vietnam	5,188	361	-	-
	<u>1,341,222</u>	<u>1,359,443</u>	<u>1,117,686</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>31/12/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>31/12/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
At 1 July	1,359,443	1,532,014	1,154,173	1,310,186
Impaired during the financial period	868,612	1,851,753	725,803	1,585,079
Performing during the financial period	(451,995)	(966,418)	(372,708)	(799,385)
Amount written back in respect of recoveries	(226,114)	(503,594)	(201,327)	(441,384)
Amount written off	(212,165)	(554,051)	(189,361)	(500,350)
Exchange difference	3,441	(261)	1,106	27
As at end of the financial period/year	<u>1,341,222</u>	<u>1,359,443</u>	<u>1,117,686</u>	<u>1,154,173</u>
Gross impaired loan as a % of gross loans, advances and financing	<u>1.3%</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:

	Note	<u>The Group</u>		<u>The Bank</u>	
		<u>31/12/2013</u>	<u>30/06/2013</u>	<u>31/12/2013</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>					
At 1 July					
- as previously stated		1,259,563	1,881,419	1,032,022	1,593,942
- effect of full adoption of MFRS139	A33	-	(379,804)	-	(405,744)
As restated		1,259,563	1,501,615	1,032,022	1,188,198
Net allowance made during the period/year		125,883	183,884	122,006	221,498
Amount transferred to individual assessment		(991)	(4,800)	(991)	(4,800)
Amount written off		(171,247)	(402,347)	(149,958)	(357,205)
Unwinding income		(8,074)	(18,751)	(6,524)	(15,657)
Exchange differences		677	(38)	703	(12)
As at end of the financial period/year		<u>1,205,811</u>	<u>1,259,563</u>	<u>997,258</u>	<u>1,032,022</u>
As a % of gross loans, advances and financing less individual assessment allowance		<u>1.2%</u>	<u>1.3%</u>	<u>1.2%</u>	<u>1.2%</u>
<u>Individual Assessment Allowance</u>					
At 1 July					
- as previously stated		526,018	541,978	450,107	463,710
Allowance made during the period/year		35,375	190,721	32,548	183,030
Amount transferred from collective assessment		991	4,800	991	4,800
Amount transferred to allowance for impairment losses on securities		-	(14,211)	-	(14,211)
Amount written back in respect of recoveries		(39,601)	(90,853)	(38,797)	(86,663)
Amount written off		(16,408)	(94,650)	(16,408)	(89,303)
Unwinding income		(4,062)	(11,524)	(4,029)	(11,301)
Exchange difference		2,463	(243)	142	45
As at end of the financial period/year		<u>504,776</u>	<u>526,018</u>	<u>424,554</u>	<u>450,107</u>

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A12 Other assets

	<u>The Group</u>		<u>The Bank</u>	
	31/12/2013 RM'000	30/06/2013 RM'000	31/12/2013 RM'000	30/06/2013 RM'000
Foreclosed properties	1,112	1,112	1,112	1,112
Sundry debtors and other prepayments	144,668	159,527	124,745	111,688
Treasury related receivables	507,281	255,608	507,281	254,632
Other receivables	155,515	472,353	119,041	427,078
	<u>808,576</u>	<u>888,600</u>	<u>752,179</u>	<u>794,510</u>

A13 Deposits from customers

A13a By type of deposit

	<u>The Group</u>		<u>The Bank</u>	
	31/12/2013 RM'000	30/06/2013 RM'000	31/12/2013 RM'000	30/06/2013 RM'000
Fixed deposits	73,597,819	73,423,719	65,142,467	66,079,991
Negotiable instruments of deposit	9,398,182	8,147,193	8,318,008	6,709,548
	<u>82,996,001</u>	<u>81,570,912</u>	<u>73,460,475</u>	<u>72,789,539</u>
Demand deposits	18,145,628	17,563,960	16,517,427	16,037,087
Saving deposits	14,618,253	14,439,487	12,508,432	12,342,637
Short term corporate placement	9,770,604	9,743,050	7,670,776	7,685,837
Other	384,551	319,661	376,072	313,531
Gross deposits from customers	<u>125,915,037</u>	<u>123,637,070</u>	<u>110,533,182</u>	<u>109,168,631</u>
Fair value changes arising from adoption of fair value option*	(51,062)	-	(34,900)	-
Total net deposits from customers	<u>125,863,975</u>	<u>123,637,070</u>	<u>110,498,282</u>	<u>109,168,631</u>

*Note:

During the financial period , the Group had applied a fair value option on a certain class of structured deposits (Callable Range Accrual Notes) , which was economically hedged via Callable Range Accrual swaps. The structured deposits was recorded at fair value to avoid an accounting mismatch.

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A13 Deposits from customers (continued)

A13b By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>31/12/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Government and statutory bodies	3,097,934	3,486,932	1,521,367	2,492,761
Business enterprises	53,394,860	49,835,642	44,893,527	40,745,271
Individuals	66,151,729	66,104,854	61,283,352	62,295,411
Others	3,270,514	4,209,642	2,834,936	3,635,188
	<u>125,915,037</u>	<u>123,637,070</u>	<u>110,533,182</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>31/12/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>31/12/2013</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Due within six months	61,280,983	57,645,995	53,893,737	51,216,469
More than six months to one year	18,276,018	19,875,082	16,523,499	17,708,225
More than one year to five years	3,154,000	3,939,835	2,763,239	3,754,845
More than five years	285,000	110,000	280,000	110,000
	<u>82,996,001</u>	<u>81,570,912</u>	<u>73,460,475</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>	
	31/12/2013 RM'000	30/06/2013 RM'000	31/12/2013 RM'000	30/06/2013 RM'000
Licensed banks	6,688,602	9,840,902	6,098,925	9,785,220
Licensed investment banks	-	322,879	-	300,874
Licensed Islamic banks	100,284	930,887	-	-
Other financial institutions	367,261	472,479	-	80,020
	<u>7,156,147</u>	<u>11,567,147</u>	<u>6,098,925</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>7,156,147</u>	<u>11,567,147</u>	<u>6,098,925</u>	<u>10,166,114</u>

A15 Other liabilities

	<u>The Group</u>		<u>The Bank</u>	
	31/12/2013 RM'000	30/06/2013 RM'000	31/12/2013 RM'000	30/06/2013 RM'000
Zakat	300	200	-	-
Post employment benefits obligation				
- defined contribution plan	2,944	2,948	2,944	2,948
Loan advance payment	1,717,655	1,603,098	1,393,387	1,309,788
Amount due to Cagamas Berhad	168,054	172,115	168,054	172,115
Amount due to subsidiary companies	-	-	28,412	129,742
Treasury clearing	651,205	113,385	143	1,028
Cheque clearing	75,604	74,199	39,148	30,537
Treasury related payable	33,587	21,416	33,587	21,416
Sundry creditors and accruals	659,201	543,355	613,354	499,766
Provision for bonus and staff related expenses	97,183	151,144	93,457	145,552
Others	332,365	584,587	293,255	567,380
	<u>3,738,098</u>	<u>3,266,447</u>	<u>2,665,741</u>	<u>2,880,272</u>

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A16 Senior bonds

		<u>The Group and The Bank</u>	
		<u>31/12/2013</u>	<u>30/06/2013</u>
		<u>RM'000</u>	<u>RM'000</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		129,750	60,150
		<u>1,965,300</u>	<u>1,895,700</u>
Add: Interest payable		16,787	16,192
		<u>1,982,087</u>	<u>1,911,892</u>
Less: Unamortised discounts		(7,961)	(9,721)
		<u><u>1,974,126</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>The Group</u>		<u>The Bank</u>	
		<u>31/12/2013</u>	<u>30/06/2013</u>	<u>31/12/2013</u>	<u>30/06/2013</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
	Note				
RM700 million Tier 2 subordinated debt, at par	(a)	700,000	700,000	700,000	700,000
Add: Interest payable		13,208	12,836	13,208	12,836
		<u>713,208</u>	<u>712,836</u>	<u>713,208</u>	<u>712,836</u>
Less: Unamortised discounts		(433)	(741)	(433)	(741)
		<u><u>712,775</u></u>	<u><u>712,095</u></u>	<u><u>712,775</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		6,674	6,674	6,674	6,674
		<u>1,006,674</u>	<u>1,006,674</u>	<u>1,006,674</u>	<u>1,006,674</u>
Less: Unamortised discounts		(915)	(1,341)	(915)	(1,341)
		<u><u>1,005,759</u></u>	<u><u>1,005,333</u></u>	<u><u>1,005,759</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>	
		<u>31/12/2013</u>	<u>30/06/2013</u>	<u>31/12/2013</u>	<u>30/06/2013</u>
		<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		9,514	9,307	9,514	9,307
		<u>1,169,514</u>	<u>1,169,307</u>	<u>1,169,514</u>	<u>1,169,307</u>
Less: Unamortised discounts		(2,810)	(6,985)	(2,810)	(6,985)
Fair value adjustments on completion of business combination accounting		938	3,829	936	3,827
		<u>1,167,642</u>	<u>1,166,151</u>	<u>1,167,640</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		1,664	1,295	1,664	1,295
		<u>1,501,664</u>	<u>1,501,295</u>	<u>1,501,664</u>	<u>1,501,295</u>
Less: Unamortised discounts		(1,904)	(2,271)	(1,904)	(2,271)
		<u>1,499,760</u>	<u>1,499,024</u>	<u>1,499,760</u>	<u>1,499,024</u>
		<u>4,385,936</u>	<u>4,382,603</u>	<u>4,385,934</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

	<u>The Group and The Bank</u>	
	<u>31/12/2013</u>	<u>30/06/2013</u>
	<u>RM'000</u>	<u>RM'000</u>
RM1.4 billion Non-Innovative Tier 1 stapled securities, at par	1,400,000	1,400,000
Add: Interest payable	10,847	10,847
	<u>1,410,847</u>	<u>1,410,847</u>
Less: Unamortised discounts	(1,266)	(1,855)
	<u>1,409,581</u>	<u>1,408,992</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

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2013</u>	<u>30/06/2013</u>	<u>31/12/2013</u>	<u>30/06/2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
RM500 million Innovative Tier 1 capital securities at par	500,000	500,000	500,000	500,000
Add: Interest payable	12,771	12,658	12,771	12,658
	<u>512,771</u>	<u>512,658</u>	<u>512,771</u>	<u>512,658</u>
Less: Unamortised discounts	(9,385)	(10,012)	(9,385)	(10,012)
Fair value adjustments on completion of business combination accounting	45,233	53,396	45,233	53,396
	<u>548,619</u>	<u>556,042</u>	<u>548,619</u>	<u>556,042</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

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RM'000	RM'000	RM'000	RM'000
Group				
Loan, advances and financing	1,022,860	994,897	2,043,586	1,983,967
Money at call and deposit placements with financial institutions	113,150	79,564	247,883	177,869
Securities purchased under resale agreements	8,692	6,250	16,861	11,974
Financial assets held-for-trading	123,440	184,451	256,952	370,714
Financial investments available-for-sale	99,347	77,345	198,252	151,661
Financial investments held-to-maturity	41,802	25,765	71,993	50,462
Others	43	136	107	194
	<u>1,409,334</u>	<u>1,368,408</u>	<u>2,835,634</u>	<u>2,746,841</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>5,121</u>	<u>7,090</u>	<u>10,553</u>	<u>13,710</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RM'000	RM'000	RM'000	RM'000
Bank				
Loan, advances and financing	1,017,273	991,765	2,032,371	1,978,417
Money at call and deposit placements with financial institutions	118,962	81,868	259,951	180,790
Securities purchased under resale agreements	8,692	6,250	16,861	11,974
Financial assets held-for-trading	127,393	194,164	267,073	385,976
Financial investments available-for-sale	90,144	69,854	180,046	139,795
Financial investments held-to-maturity	49,419	29,778	88,050	60,213
Others	1,175	11,634	12,830	23,339
	<u>1,413,058</u>	<u>1,385,313</u>	<u>2,857,182</u>	<u>2,780,504</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>5,121</u>	<u>7,090</u>	<u>10,553</u>	<u>13,710</u>

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A21 Interest expense

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RM'000	RM'000	RM'000	RM'000
Group				
Deposits and placements of banks and other financial institutions	23,800	20,659	58,108	46,038
Deposits from customers	593,199	567,851	1,177,298	1,128,214
Short term corporate placements	46,298	73,696	104,611	153,959
Senior bonds	17,478	16,784	35,248	34,335
Tier-2 subordinated bonds	49,728	47,002	98,735	91,536
Non-innovative Tier-1 stapled securities	18,101	18,213	36,230	36,454
Innovative Tier-1 capital securities	6,657	5,957	13,258	11,536
Others	2,460	2,649	4,983	5,223
	<u>757,721</u>	<u>752,811</u>	<u>1,528,471</u>	<u>1,507,295</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RM'000	RM'000	RM'000	RM'000
Bank				
Deposits and placements of banks and other financial institutions	26,398	20,229	64,135	45,965
Deposits from customers	602,309	590,929	1,208,795	1,174,086
Short term corporate placements	46,298	73,696	104,611	153,959
Senior bonds	17,478	16,784	35,248	34,335
Tier-2 subordinated bonds	53,655	50,907	106,558	101,085
Non-innovative Tier-1 stapled securities	18,101	18,213	36,230	36,454
Innovative Tier-1 capital securities	6,657	5,957	13,258	11,858
Others	2,460	2,649	4,983	5,223
	<u>773,356</u>	<u>779,364</u>	<u>1,573,818</u>	<u>1,562,965</u>

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A22 Net income from Islamic Banking business

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2013 RM'000	31/12/2012 RM'000	31/12/2013 RM'000	31/12/2012 RM'000
Group				
Income derived from investment of depositors' funds and others	206,727	194,486	424,630	410,710
of which Finance income	210,339	190,576	426,895	404,285
of which other operating income	(3,612)	3,910	(2,265)	6,425
Income derived from investment of shareholders' funds	30,194	36,901	50,870	44,130
of which Finance income	15,832	28,271	32,131	30,430
of which other operating income	14,362	8,630	18,739	13,700
Income attributable to depositors	(124,030)	(112,324)	(254,259)	(223,936)
	112,891	119,063	221,241	230,904

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A23 Other operating income

Group	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RM'000	RM'000	RM'000	RM'000
(a) Fee income:				
Commissions	35,188	33,248	68,618	66,290
Service charges and fees	15,922	14,040	26,947	23,884
Guarantee fees	8,811	7,562	14,955	13,237
Credit card related fees	77,097	70,476	151,620	135,808
Corporate advisory fees	(6)	1,214	9	1,665
Commitment fees	9,278	8,652	18,520	17,163
Fee on loans, advances and financing	18,230	15,845	35,594	34,737
Other fee income	10,571	(496)	22,109	6,801
	<u>175,091</u>	<u>150,541</u>	<u>338,372</u>	<u>299,585</u>
(b) Gain arising from sale of financial assets:				
Net gain from sale of financial assets held-for-trading	6,436	12,565	7,644	24,226
Net gain/(loss) from sale of derivative financial instruments	7,535	(9,110)	18,574	3,973
Net gain from sale of financial investments available-for-sale	24,672	30,070	38,316	55,850
Net gain from redemption of financial investments held-to-maturity	55	23	64	8,401
	<u>38,698</u>	<u>33,548</u>	<u>64,598</u>	<u>92,450</u>
(c) Gross dividend income from:				
Financial investments available-for-sale	<u>15,629</u>	<u>14,688</u>	<u>29,627</u>	<u>26,919</u>

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A23 Other operating income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2013 RM'000	31/12/2012 RM'000	31/12/2013 RM'000	31/12/2012 RM'000
(d) <u>Net unrealised gain on revaluation of:</u>				
- Financial assets held-for-trading	(5,504)	17,609	(1,157)	11,349
- Derivatives financial instruments	6,564	6,255	19,105	17,412
	<u>1,060</u>	<u>23,864</u>	<u>17,948</u>	<u>28,761</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>(1,749)</u>	<u>(8,270)</u>	<u>(4,579)</u>	<u>(15,958)</u>
(f) <u>Net unrealised gain on fair value changes arising from fair value hedges</u>	<u>-</u>	<u>6,595</u>	<u>-</u>	<u>9,383</u>
(g) <u>Other income:</u>				
Foreign exchange gain	55,460	42,670	98,692	83,812
Rental income	1,312	1,283	2,623	2,582
Gain on disposal of property and equipment (net)	160	687	168	818
Others	4,806	4,104	8,524	8,096
	<u>61,738</u>	<u>48,744</u>	<u>110,007</u>	<u>95,308</u>
Total other operating income	<u><u>290,467</u></u>	<u><u>269,710</u></u>	<u><u>555,973</u></u>	<u><u>536,448</u></u>

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A23 Other operating income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2013 RM'000	31/12/2012 RM'000	31/12/2013 RM'000	31/12/2012 RM'000
Bank				
(a) Fee income:				
Commissions	35,077	33,195	68,406	66,184
Service charges and fees	15,885	14,029	26,876	23,898
Guarantee fees	8,786	7,531	14,909	13,197
Credit card related fees	77,097	70,476	151,620	135,808
Corporate advisory fees	(6)	1,214	9	1,665
Commitment fees	9,274	8,652	18,515	17,167
Fee on loans, advances and financing	18,230	15,845	35,594	34,737
Other fee income	10,356	(530)	21,779	7,179
	<u>174,699</u>	<u>150,412</u>	<u>337,708</u>	<u>299,835</u>
(b) Gain arising from sale of financial assets:				
Net gain from sale of financial assets held-for-trading	6,436	12,565	7,644	24,226
Net gain/(loss) from sale of derivative financial instruments	7,535	(9,110)	18,574	3,973
Net gain from sale of financial investments available-for-sale	16,310	30,070	27,886	55,832
Net gain from redemption of financial investments held-to-maturity	55	23	64	8,401
	<u>30,336</u>	<u>33,548</u>	<u>54,168</u>	<u>92,432</u>
(c) Gross dividend income from:				
Subsidiary companies	56,700	111,239	56,700	111,239
Associated company	-	19,017	76,859	70,361
Financial investments available-for-sale	15,629	14,688	29,627	26,919
	<u>72,329</u>	<u>144,944</u>	<u>163,186</u>	<u>208,519</u>

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A23 Other operating income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2013 RM'000	31/12/2012 RM'000	31/12/2013 RM'000	31/12/2012 RM'000
(d) <u>Net unrealised gain on revaluation of:</u>				
- Financial assets held-for-trading	(5,504)	17,609	(1,157)	11,349
- Derivatives financial instruments	6,564	6,255	19,105	17,412
	<u>1,060</u>	<u>23,864</u>	<u>17,948</u>	<u>28,761</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>(1,214)</u>	<u>(7,331)</u>	<u>(3,419)</u>	<u>(13,931)</u>
(f) <u>Net unrealised gain on fair value changes arising from fair value hedges</u>	<u>-</u>	<u>6,595</u>	<u>-</u>	<u>9,383</u>
(g) <u>Other income:</u>				
Foreign exchange gain	55,569	42,454	98,703	83,066
Rental income	1,312	1,283	2,623	2,582
Gain on disposal of property and equipment (net)	160	687	168	818
Others	4,797	4,103	9,124	7,897
	<u>61,838</u>	<u>48,527</u>	<u>110,618</u>	<u>94,363</u>
Total other operating income	<u><u>339,048</u></u>	<u><u>400,559</u></u>	<u><u>680,209</u></u>	<u><u>719,362</u></u>

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A24 Other operating expenses

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Group</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	218,406	215,990	442,379	428,502
- Medical expenses	4,482	5,771	10,286	11,295
- Training and convention expenses	6,466	9,124	9,927	14,075
- Staff welfare	2,755	4,554	6,256	7,640
- Others	6,149	8,079	11,462	14,206
<u>Establishment costs</u>				
- Depreciation of property and equipment	27,479	23,466	54,133	51,169
- Amortisation of intangible assets	23,450	27,710	46,897	52,022
- Rental	18,386	19,927	36,829	40,226
- Information technology expenses	27,929	25,293	52,526	47,630
- Security services	8,877	9,111	16,793	14,582
- Electricity, water and sewerage	5,726	6,380	11,431	15,793
- Hire of plant and machinery	3,523	3,379	7,013	6,752
- Others	7,137	5,970	14,499	11,432
<u>Marketing expenses</u>				
- Advertisement and publicity	3,366	9,407	9,332	16,936
- Credit card related fees	22,285	16,114	42,567	31,962
- Others	4,153	3,262	7,627	7,185
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,580	3,616	5,881	7,203
- Stationery & printing	4,202	3,831	7,405	8,061
- Professional fees	18,001	16,397	38,750	36,518
- Insurance fees	8,509	4,227	14,094	8,471
- Stamp, postage and courier	5,113	5,515	9,136	12,256
- Credit card fees	20,718	17,278	40,598	33,544
- Travelling and transport expenses	1,618	2,062	3,239	3,464
- Registration and license fees	1,227	1,262	2,559	2,437
- Brokerage and commission	1,760	835	2,977	2,096
- Others	4,314	3,051	9,969	9,007
	<u>459,611</u>	<u>451,611</u>	<u>914,565</u>	<u>894,464</u>

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A24 Other operating expenses (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	184,317	181,167	373,519	362,605
- Medical expenses	3,770	4,829	8,658	9,484
- Training and convention expenses	6,148	8,175	9,062	12,575
- Staff welfare	2,255	3,780	5,489	6,297
- Others	5,116	6,702	9,601	11,411
<u>Establishment costs</u>				
- Depreciation of property and equipment	26,166	22,327	51,548	49,070
- Amortisation of intangible assets	22,244	26,978	44,774	50,539
- Rental	15,274	16,438	30,530	33,087
- Information technology expenses	25,814	22,370	48,264	41,855
- Security services	7,100	8,244	13,541	12,655
- Electricity, water and sewerage	5,034	6,024	10,009	15,114
- Hire of plant and machinery	3,161	3,107	6,470	6,151
- Others	2,028	390	4,430	901
<u>Marketing expenses</u>				
- Advertisement and publicity	2,735	6,834	8,190	14,039
- Credit card related fees	22,285	16,114	42,567	31,962
- Others	3,599	3,034	6,817	6,921
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,499	3,537	5,720	7,398
- Stationery & printing	4,057	3,736	7,194	7,943
- Professional fees	17,623	15,506	37,927	35,238
- Insurance fees	7,618	3,072	12,362	6,765
- Stamp, postage and courier	5,013	5,447	9,010	12,171
- Credit card fees	20,718	17,278	40,598	33,544
- Travelling and transport expenses	1,326	1,781	2,566	2,879
- Registration and license fees	1,159	1,213	2,308	2,340
- Brokerage and commission	1,567	756	2,628	1,927
- Others	5,554	4,085	12,450	9,582
	<u>405,180</u>	<u>392,924</u>	<u>806,232</u>	<u>784,453</u>

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A25 Allowance for impairment losses on loans, advances and financing

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Group</u>				
Allowance for impairment losses on loans, advances and financing:				
- collective assessment allowance	76,589	61,322	125,883	118,137
- individual assessment allowance	(5,038)	(3,226)	(4,226)	(11,142)
Impaired loans and financing:				
- written off	5,509	5,364	11,846	10,114
- recovered	(56,478)	(76,954)	(130,901)	(145,324)
	<u>20,582</u>	<u>(13,494)</u>	<u>2,602</u>	<u>(28,215)</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Bank</u>				
Allowance for impairment losses on loans, advances and financing:				
- collective assessment allowance	70,766	48,209	122,006	119,834
- individual assessment allowance	(5,028)	(3,619)	(6,249)	(11,068)
Impaired loans and financing:				
- written off	4,964	4,804	10,720	9,223
- recovered	(51,609)	(72,458)	(119,426)	(134,085)
	<u>19,093</u>	<u>(23,064)</u>	<u>7,051</u>	<u>(16,096)</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:

	The Group		The Bank	
	Financial Period Ended 31/12/2013	Financial Year Ended 30/06/2013	Financial Period Ended 31/12/2013	Financial Year Ended 30/06/2013
Before deducting proposed dividends				
CET I capital ratio	10.488%	10.627%	10.329%	10.156%
Tier I capital ratio	12.090%	12.319%	12.160%	12.062%
Total capital ratio	14.675%	15.179%	13.622%	13.592%
After deducting proposed dividends				
CET I capital ratio	10.240%	10.236%	10.046%	9.715%
Tier I capital ratio	11.842%	11.927%	11.877%	11.621%
Total capital ratio	14.428%	14.787%	13.339%	13.150%

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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:

	The Group		The Bank	
	Financial Period Ended 31/12/2013 RM'000	Financial Year Ended 30/06/2013 RM'000	Financial Period Ended 31/12/2013 RM'000	Financial Year Ended 30/06/2013 RM'000
CET I capital				
Paid-up share capital	1,879,909	1,879,909	1,879,909	1,879,909
Share premium	2,832,383	2,832,383	2,832,383	2,832,383
Retained profits	6,307,175	6,197,372	5,095,828	4,835,280
Other reserves	2,992,945	2,699,050	2,579,953	2,360,778
Less: Treasury shares	(654,278)	(661,809)	(654,278)	(661,809)
Less: Other Intangible Assets	(334,262)	(369,415)	(321,008)	(362,855)
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)
Total CET I capital	11,192,560	10,746,178	9,641,240	9,112,139
Additional Tier I capital				
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
Total additional Tier I capital	1,710,000	1,710,000	1,710,000	1,710,000
Total Tier I capital	12,902,560	12,456,178	11,351,240	10,822,139
Tier II capital				
Collective assessment allowance [^]	788,258	800,960	658,457	666,131
Subordinated bonds	3,924,000	3,924,000	3,924,000	3,924,000
	4,712,258	4,724,960	4,582,457	4,590,131
Less: Investment in subsidiary companies	-	-	(2,194,974)	(2,194,913)
Less: Investment in associated company	(1,869,114)	(1,752,949)	(946,505)	(946,505)
Less: Investment in jointly controlled entity	(83,847)	(79,945)	(76,711)	(76,711)
	(1,952,961)	(1,832,894)	(3,218,190)	(3,218,129)
Total capital	15,661,857	15,348,244	12,715,507	12,194,141

[^] 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:

	The Group		The Bank	
	Financial Period Ended 31/12/2013 RM'000	Financial Year Ended 30/06/2013 RM'000	Financial Period Ended 31/12/2013 RM'000	Financial Year Ended 30/06/2013 RM'000
Credit risk	95,894,549	91,059,541	83,851,445	80,746,066
Market risk	3,620,014	3,429,463	3,361,826	3,322,591
Operational risk	7,206,969	6,628,544	6,132,471	5,649,356
Total RWA	106,721,532	101,117,548	93,345,742	89,718,013

The Bank's profit after tax for the half year ended 31 December 2013, had been subjected to a limited review by our external auditors. As such the Bank's profit after tax for the half year ended 31 December 2013 have been included in the capital base used in the computation of the Group's and the Bank's Capital Adequacy Ratios accordingly.

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

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	Financial Period Ended 31/12/2013	Financial Year Ended 30/06/2013
Before deducting proposed dividends		
CET I capital ratio	10.258%	11.070%
Tier I capital ratio	10.258%	11.070%
Total capital ratio	<u>13.174%</u>	<u>14.153%</u>
After deducting proposed dividends		
CET I capital ratio	10.258%	10.720%
Tier I capital ratio	10.258%	10.720%
Total capital ratio	<u>13.174%</u>	<u>13.804%</u>

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A27 Group segmental reporting on revenue, profit and assets

The business segment results are prepared based on the Group's internal management reporting reflective of the organisation's management reporting structure.

The various business segments are described below:

Personal Financial Services focuses mainly on servicing domestic individual customers and small businesses. Products and services that are extended to customers include mortgages, credit cards, hire purchase and others.

Business & Corporate Banking focuses mainly on domestic corporate customers. Products offered include trade financing, working capital facilities, other term financing and corporate advisory services.

Global Markets refers to the Group's domestic treasury and capital market operations and includes foreign exchange, money market operations as well as capital market securities trading and investments.

Overseas/International Operations refers to Hong Leong Bank Berhad Overseas Branches, Subsidiaries, Associate, Jointly Controlled Entity and Representative Office. The overseas operations are mainly in commercial banking and treasury business.

Others and inter-segment elimination refers to head office, other subsidiaries and inter-segment elimination.

Certain comparative figures have been reclassified to conform with current year's presentation.

Financial quarter ended 31/12/2013

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Others and Inter -Segment Elimination RM'000	Total RM'000
<u>By business segment</u>						
External revenue	606,520	132,974	345,260	48,791	(78,574)	1,054,971
Inter-segment revenue	14,205	118,331	(213,736)	-	81,200	-
Segment revenue	<u>620,725</u>	<u>251,305</u>	<u>131,524</u>	<u>48,791</u>	<u>2,626</u>	<u>1,054,971</u>
Segment profit before taxation	275,953	195,282	107,277	9,775	(9,489)	578,798
Share of profit after tax of equity accounted associated company				82,780	-	82,780
Share of profit after tax of equity accounted jointly controlled entity				1,828	-	1,828
Profit before taxation						<u>663,406</u>
Taxation						<u>(143,119)</u>
Profit after taxation						<u><u>520,287</u></u>

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

Financial period ended 31/12/2013

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Others and Inter -Segment Elimination RM'000	Total RM'000
<u>By business segment</u>						
External revenue	1,193,798	274,889	692,088	92,640	(169,038)	2,084,377
Inter-segment revenue	42,894	225,025	(429,057)	-	161,138	-
Segment revenue	<u>1,236,692</u>	<u>499,914</u>	<u>263,031</u>	<u>92,640</u>	<u>(7,900)</u>	<u>2,084,377</u>
Segment profit before taxation	555,198	414,223	219,867	26,868	(29,564)	1,186,592
Share of profit after tax of equity accounted associated company				172,251		172,251
Share of profit after tax of equity accounted jointly controlled entity				3,902		3,902
Profit before taxation						<u>1,362,745</u>
Taxation						<u>(297,971)</u>
Profit after taxation						<u>1,064,774</u>
Segment assets	67,287,240	29,156,539	52,435,483	8,818,207	-	157,697,469
Unallocated assets						7,739,150
Total assets						<u>165,436,619</u>

Corresponding quarter ended 31/12/2012

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Others and Inter -Segment Elimination RM'000	Total RM'000
<u>By business segment</u>						
External revenue	621,470	109,592	322,563	46,496	(95,751)	1,004,370
Inter-segment revenue	(25,256)	116,813	(197,988)	-	106,431	-
Segment revenue	<u>596,214</u>	<u>226,405</u>	<u>124,575</u>	<u>46,496</u>	<u>10,680</u>	<u>1,004,370</u>
Segment profit before taxation	275,930	181,885	101,935	7,843	2,210	569,803
Share of profit after tax of equity accounted associated company				68,339	-	68,339
Share of profit after tax of equity accounted jointly controlled entity				165	-	165
Profit before taxation						<u>638,307</u>
Taxation						<u>(130,316)</u>
Profit after taxation						<u>507,991</u>

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

Corresponding financial period ended 31/12/2012

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Others and Inter -Segment Elimination RM'000	Total RM'000
<u>By business segment</u>						
External revenue	1,230,622	214,623	654,273	95,538	(188,158)	2,006,898
Inter-segment revenue	(49,711)	239,963	(404,221)	-	213,969	-
Segment revenue	<u>1,180,911</u>	<u>454,586</u>	<u>250,052</u>	<u>95,538</u>	<u>25,811</u>	<u>2,006,898</u>
Segment profit before taxation	575,110	335,025	204,460	21,276	9,637	1,145,508
Share of profit after tax of equity accounted associated company				129,357		129,357
Share of profit after tax of equity accounted jointly controlled entity				911		911
Profit before taxation						<u>1,275,776</u>
Taxation						<u>(290,151)</u>
Profit after taxation						<u>985,625</u>
Segment assets	62,778,362	26,615,091	51,200,509	6,998,610	-	147,592,572
Unallocated assets						6,690,543
Total assets						<u>154,283,115</u>

A28 Property and equipment

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

A29(a) Material events subsequent to the end of the reporting period

There are no materials events subsequent to the end of the financial period ended 31 December 2013 except for the following:-

- (a) Pursuant to the first tranche of RM410.0 million nominal value of the 10 non-callable 5 years Subordinated Medium Term Notes callable on 27 February 2014, the Bank had received prior written consent from BNM for the exercise of the Call option. On 3 January 2014, the Bank had issued a redemption notice to exercise the call option and will redeem the full nominal amount of RM410.0 million together with all accrued coupon on 27 February 2014.

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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 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 became a wholly-owned subsidiary of the Bank.
- (c) On 27 November 2013, the Bank announced that the China Banking Regulatory Commission had granted approval for the Bank to establish a representative office in Nanjing, Jiangsu Province, People’s Republic of China. The representative office is known as Hong Leong Bank Berhad Nanjing Representative Office and commenced operations effective 27 November 2013.
- (d) CFB Asa Berhad (“CFB”), a wholly-owned subsidiary of the Bank, was dissolved on 28 November 2013.
- (e) On 19 February 2014, the Bank announced that the liquidator of OFB Berhad (“OFB”), a wholly-owned subsidiary of the Bank, had convened the final meeting for OFB to conclude the member’s voluntary winding-up of OFB. The Return by Liquidator Relating to Final Meeting of OFB was lodged on 19 February 2014 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, OFB will be dissolved.

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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:

	<u>The Group</u>		<u>The Bank</u>	
	31/12/2013	30/06/2013	31/12/2013	30/06/2013
	RM'000	RM'000	RM'000	RM'000
Principal Amount				
Direct credit substitutes	444,340	282,262	443,047	280,859
Certain transaction related contingent items	1,612,551	1,629,933	1,548,397	1,559,520
Short term self liquidating trade related contingencies	724,823	891,468	710,983	845,800
Irrevocable commitments to extend credit:				
- maturity more than one year	17,139,757	14,108,639	14,209,108	11,415,226
- maturity less than one year	16,672,224	17,331,901	15,905,562	16,468,730
Foreign exchange related contracts:				
- less than one year	35,492,642	38,342,314	35,580,609	42,204,011
- one year to less than five years	4,299,432	3,649,055	4,332,153	3,682,060
- five years and above	723,886	603,465	723,886	603,465
Interest rate related contracts:				
- less than one year	24,788,682	17,140,615	24,688,682	17,040,615
- one year to less than five years	46,099,458	42,439,167	43,779,458	41,139,167
- five years and above	14,003,733	14,773,860	13,853,733	14,623,860
Equity related contracts:				
- less than one year	226,653	54,168	226,653	54,168
Unutilised credit card lines	7,908,180	8,331,904	7,908,180	8,331,904
Total	170,136,361	159,578,751	163,910,451	158,249,385

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A31 Related party transactions

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

(a) Connected Parties (CP) Exposures

	The Group		The Bank	
	31/12/2013 RM'000	30/06/2013 RM'000	31/12/2013 RM'000	30/06/2013 RM'000
Aggregate Value of Outstanding Credit Exposures with Connected Parties	6,505,031	5,798,998	6,296,700	5,777,241
Outstanding Credit Exposures to Connected Parties as a Proportion of Total Credit Exposures (%)	5.47%	5.42%	6.10%	6.22%
Outstanding Credit Exposures with Connected Parties Which is Non-Performing or in Default as a Proportion of Total Credit Exposures (%)	0.0004%	0.0010%	0.0004%	0.0010%

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A32 Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the statements of financial position date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

(a) Determination of fair value and fair value hierarchy

The Group and the Bank measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2.

In cases where quoted prices are generally not available, the Group then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

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A32 Fair value of financial instruments (Continued)

(a) Determination of fair value and fair value hierarchy (Continued)

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy:

	The Group			
	31 December 2013			
	Fair value			
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<u>Financial Assets</u>				
Financial assets held-for-trading				
- Money market instrument	-	11,497,742	-	11,497,742
- Quoted Securities	3,519	-	-	3,519
- Unquoted Securities	-	635,649	-	635,649
Financial investments available-for-sale				
- Money market instrument	-	6,035,678	-	6,035,678
- Quoted Securities	2,066,486	-	-	2,066,486
- Unquoted Securities	-	9,051,923	330,090	9,382,013
Derivative financial instruments	7,979	803,396	-	811,375
	<u>2,077,984</u>	<u>28,024,388</u>	<u>330,090</u>	<u>30,432,462</u>
<u>Financial Liability</u>				
Derivative financial instruments	7,673	828,538	-	836,211

	The Group			
	30 June 2013			
	Fair value			
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<u>Financial Assets</u>				
Financial assets held-for-trading				
- Money market instrument	-	14,370,194	-	14,370,194
- Quoted Securities	12,624	-	-	12,624
- Unquoted Securities	-	812,964	-	812,964
Financial investments available-for-sale				
- Money market instrument	-	4,988,193	-	4,988,193
- Quoted Securities	1,588,932	-	-	1,588,932
- Unquoted Securities	-	6,919,974	329,963	7,249,937
Derivative financial instruments	1,536	875,608	-	877,144
	<u>1,603,092</u>	<u>27,966,933</u>	<u>329,963</u>	<u>29,899,988</u>
<u>Financial Liability</u>				
Derivative financial instruments	3,790	950,397	-	954,187

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A32 Fair value of financial instruments (Continued)

(a) Determination of fair value and fair value hierarchy (Continued)

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy:
(continued)

	The Bank			
	31 December 2013			
	Fair value			
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<u>Financial Assets</u>				
Financial assets held-for-trading				
- Money market instrument	-	10,389,076	-	10,389,076
- Quoted Securities	3,519	-	-	3,519
- Unquoted Securities	-	630,829	-	630,829
Financial investments available-for-sale				
- Money market instrument	-	4,029,778	-	4,029,778
- Quoted Securities	2,066,486	-	-	2,066,486
- Unquoted Securities	-	8,315,321	330,023	8,645,344
Derivative financial instruments	7,979	780,776	-	788,755
	<u>2,077,984</u>	<u>24,145,780</u>	<u>330,023</u>	<u>26,553,787</u>
<u>Financial Liability</u>				
Derivative financial instruments	7,673	802,362	-	810,035

	The Bank			
	30 June 2013			
	Fair value			
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<u>Financial Assets</u>				
Financial assets held-for-trading				
- Money market instrument	-	11,475,365	-	11,475,365
- Quoted Securities	12,624	-	-	12,624
- Unquoted Securities	-	618,939	-	618,939
Financial investments available-for-sale				
- Money market instrument	-	3,416,859	-	3,416,859
- Quoted Securities	1,582,025	-	-	1,582,025
- Unquoted Securities	-	6,306,668	329,897	6,636,565
Derivative financial instruments	1,536	937,873	-	939,409
	<u>1,596,185</u>	<u>22,755,704</u>	<u>329,897</u>	<u>24,681,786</u>
<u>Financial Liability</u>				
Derivative financial instruments	3,790	1,007,459	-	1,011,249

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A32 Fair value of financial instruments (Continued)

(a) Determination of fair value and fair value hierarchy (Continued)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, as below:

	Financial investments available-for-sale	
	The Group RM'000	The Bank RM'000
At 1 July 2013	329,963	329,897
Net fair value changes recognised in other comprehensive income	127	126
At 31 December 2013	330,090	330,023
Total gain recognised in other comprehensive income relating to assets held on 31 December 2013	127	126
	Financial investments available-for-sale	
	The Group RM'000	The Bank RM'000
At 1 July 2012	310,985	310,916
Net fair value changes recognised in other comprehensive income	18,978	18,981
At 30 June 2013	329,963	329,897
Total gain recognised in other comprehensive income relating to assets held on 30 June 2013	18,978	18,981

A33 Liquidity Risk

Please refer to Appendix A.

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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 RM663.4 million for the current financial quarter ended 31 December 2013, an increase of RM25.1 million or 3.9% as compared to previous corresponding quarter. The increased in pre-tax profit was mainly due to higher net income of RM50.6 million, higher write back of impairment losses from securities of RM0.5 million and higher share of profit from Bank of Chengdu and joint venture totaling RM16.1 million. This was however offset by higher allowance for impairment losses on loans, advances and financing of RM34.1 million and higher operating expenses of RM8.0 million.

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

Personal Financial Services

The Personal Financial Services's segment recorded a pre-tax profit of RM276.0 million for the 2nd quarter ended December 2013 consistent with the corresponding quarter.

Personal Financial Services's loan base grew from RM63.3 billion in December 2012 to RM67.7 billion in December 2013.

Business and Corporate Banking

The Business and Corporate Banking's segment recorded a pre-tax profit of RM195.3 million for the 2nd quarter ended December 2013 as compared to previous corresponding quarter of RM181.9 million.

Business and Corporate Banking's loan base increased from RM27.3 billion in December 2012 to RM 29.7 billion in December 2013. Deposit base registered an increase from RM34.3 billion to RM34.8 billion. Higher pre-tax profit mainly due to higher total income and lower operating expenses, offset by higher allowance for impairment losses on loans, advances and financing.

Global Markets

The Global Market's segment recorded a pre-tax profit of RM107.3 million for the 2nd quarter ended December 2013 as compared to previous corresponding quarter of RM101.9 million.

Treasury earning assets decreased from RM50.1 billion in December 2012 to RM49.9 billion in December 2013.

International Banking

The International Banking's segment recorded a pre-tax profit of RM9.8 million for the 2nd quarter ended December 2013 as compared to previous corresponding quarter of RM7.8 million.

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B1 Review of performance (continued)

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

The Group pre-tax profit for the period ended 31 December 2013 stood at RM1,362.7 million, an increase of RM87.0 million or 6.8% as compared to RM1,275.8 million in the previous corresponding period. The increase was due to higher net income by RM77.5 million, higher net write back of impairment losses from securities of RM14.5 million and higher share of profit from Bank of Chengdu and joint venture totaling RM45.9 million. This is however mitigated by higher allowance for impairment losses on loans, advances and financing of RM30.8 million coupled with higher operating expenses of RM20.1 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 RM555.2 million for the financial period ended December 2013 as compared to corresponding period of RM575.1 million. The decrease in pre-tax profit due to higher allowance for impairment losses on loans, advances and financing and higher operating expenses, compensated with higher total income

Business and Corporate Banking

The Group Business and Corporate Banking's segment recorded a pre-tax profit of RM414.2 million for the financial period ended December 2013 as compared to corresponding period of RM335.0 million. Higher pre-tax profit contributed by higher net interest income, higher impairment writeback and lower operating expenses, offset by higher allowance for impairment losses on loans, advances and financing.

Global Markets

The Global Market's segment recorded a pre-tax profit of RM219.9 million for the financial period ended December 2013 as compared to corresponding period of RM204.5 million. Higher pre-tax profit mainly contributed from higher net interest income, offset by lower non interest income.

International Banking

The International Banking's segment recorded a pre-tax profit of RM26.9 million for the financial period ended December 2013 as compared to corresponding period of RM21.3 million.

B2 Current Quarter vs. Preceding Quarter

For the current financial quarter, the Group recorded a pre-tax profit of RM663.4 million as compared to RM699.3 million in the preceding quarter, a decrease of RM35.9 million arising from higher operating expenses of RM4.7 million, higher allowance for impairment losses on loans, advances and financing of RM38.6 million, lower write back of impairment losses from securities of RM11.3 million coupled with lower share of profit from Bank of Chengdu and joint venture of RM6.9 million. This is however netted off by higher net income of RM25.6 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

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RM'000	RM'000	RM'000	RM'000
The Group				
Malaysian income tax	145,331	128,286	302,394	287,749
Transfer (to)/from deferred taxation	(2,212)	2,030	(4,423)	2,402
	<u>143,119</u>	<u>130,316</u>	<u>297,971</u>	<u>290,151</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RM'000	RM'000	RM'000	RM'000
The Bank				
Malaysian income tax	144,586	166,283	303,548	306,070
Transfer (to)/from deferred taxation	(2,212)	2,030	(4,423)	(1,617)
	<u>142,374</u>	<u>168,313</u>	<u>299,125</u>	<u>304,453</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 31 December 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	28,144,784	227,933	(234,284)
(ii) 1 year to 3 years	227,334	4,214	(1,382)
Swaps			
(i) Less than 1 year	5,095,321	79,355	(71,436)
(ii) 1 year to 3 years	611,560	29,403	(13,487)
(iii) More than 3 years	4,040,217	101,408	(128,700)
Options			
(i) Less than 1 year	2,252,537	15,304	(14,523)
(ii) 1 year to 3 years	144,207	2,464	(2,464)
Interest rate related contracts			
Futures			
(i) Less than 1 year	7,376,999	807	(213)
(ii) 1 year to 3 years	5,013,250	252	(48)
(iii) More than 3 years	356,728	179	(89)
Swaps			
(i) Less than 1 year	17,411,683	23,132	(21,078)
(ii) 1 year to 3 years	22,283,017	57,492	(78,271)
(iii) More than 3 years	32,450,196	269,106	(269,910)
Equity related contracts			
(i) Less than 1 year	68,090	326	(326)
(ii) 1 year to 3 years	95,323	-	-
(iii) More than 3 years	63,240	-	-
Total	125,634,486	811,375	(836,211)

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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)
Total	117,002,644	877,144	(954,187)

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B9 Off-balance sheet financial instruments (continued)

Details of financial instruments with off-balance sheet risk as at 31 December 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	28,571,434	223,795	(232,718)
(ii) 1 year to 3 years	260,055	3,362	(1,440)
Swaps			
(i) Less than 1 year	4,756,638	74,591	(67,662)
(ii) 1 year to 3 years	611,560	29,403	(13,487)
(iii) More than 3 years	4,040,217	101,409	(128,700)
Options			
(i) Less than 1 year	2,252,537	15,304	(14,523)
(ii) 1 year to 3 years	144,207	2,464	(2,464)
Interest rate related contracts			
Futures			
(i) Less than 1 year	7,376,999	807	(213)
(ii) 1 year to 3 years	5,013,250	252	(48)
(iii) More than 3 years	356,728	179	(89)
Swaps			
(i) Less than 1 year	17,311,683	23,132	(20,815)
(ii) 1 year to 3 years	21,953,017	57,492	(76,590)
(iii) More than 3 years	30,310,196	256,239	(250,960)
Equity related contracts			
(i) Less than 1 year	68,090	326	(326)
(ii) 1 year to 3 years	95,323	-	-
(iii) More than 3 years	63,240	-	-
Total	123,185,174	788,755	(810,035)

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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)
Total	119,347,346	939,409	(1,011,249)

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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 RM971,418,048 (FYE June 2013: RM1,306,394,187) and RM67,899,583,273 (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 RM936,635,824 (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

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assesses counterparties using the same techniques as for its lending activities.

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

An interim single tier dividend of 15.0 sen per share has been proposed for the current quarter.

- (i) Amount per share: Single tier dividend of 15.0 sen
- (ii) Previous corresponding quarter: 15.0 sen per share (less 25% taxation)
- (iii) Entitlement date: 13 March 2014
- (iv) Payment date: 27 March 2014

B12 Realised and Unrealised Profits

	The Group	
	Financial Period Ended 31/12/2013	Financial Year Ended 30/06/2013
	RM'000	RM'000
Total retained profits of Hong Leong Bank Berhad and its subsidiaries		
- Realised	4,626,488	4,233,197
- Unrealised	820,846	937,705
	5,447,334	5,170,902
Total share of retained profits from associated company		
- Realised	1,107,245	934,994
Total share of retained profits from jointly controlled entity		
- Realised	7,136	3,234
	6,561,715	6,109,130
Less Consolidation Adjustment	38,298	88,242
Total Group's Retained Profit	6,600,013	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.

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2013 RM'000	31/12/2012 RM'000	31/12/2013 RM'000	31/12/2012 RM'000
<u>The Group</u>				
Net profit attributable to shareholders of the company	520,287	507,991	1,064,774	985,625
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	(119,395)	(126,878)	(119,395)	(126,878)
	<u>1,760,514</u>	<u>1,753,031</u>	<u>1,760,514</u>	<u>1,753,031</u>
Basic earnings per share (sen)	29.6	29.0	60.5	56.2
<u>The Bank</u>				
Net profit attributable to shareholders of the company	416,123	471,885	870,547	868,950
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	(119,395)	(126,878)	(119,395)	(126,878)
	<u>1,760,514</u>	<u>1,753,031</u>	<u>1,760,514</u>	<u>1,753,031</u>
Basic earnings per share (sen)	23.6	26.9	49.4	49.6

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B13 Earnings per share (continued)

(b) Fully diluted earnings per share

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

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2013 RM'000	31/12/2012 RM'000	31/12/2013 RM'000	31/12/2012 RM'000
<u>The Group</u>				
Net profit attributable to shareholders of the company	520,287	507,991	1,064,774	985,625
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,760,514	1,753,031	1,760,514	1,753,031
- adjustment for ESOS	1,157	4,975	1,157	4,975
	1,761,671	1,758,006	1,761,671	1,758,006
Fully diluted earnings per share (sen)	29.5	28.9	60.4	56.1
<u>The Bank</u>				
Net profit attributable to shareholders of the company	416,123	471,885	870,547	868,950
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,760,514	1,753,031	1,760,514	1,753,031
- adjustment for ESOS	1,157	4,975	1,157	4,975
	1,761,671	1,758,006	1,761,671	1,758,006
Fully diluted earnings per share (sen)	23.6	26.8	49.4	49.4

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A33 Liquidity Risk

Liquidity risk is defined as the current and prospective risk arising from the inability of the Group and the Bank to meet its contractual or regulatory obligations when they become due without incurring substantial losses. The liquidity risk is identified based on concentration, volatility of source of fund and funding maturity structure and it is measured primarily using Bank Negara Malaysia's New Liquidity Framework and depositor's concentration ratios. The Group and the Bank seek to project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 31 December 2013 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8:

	The Group							Total
	31 December 2013							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Assets								
Cash and short-term funds	8,572,981	6,131,811	-	-	-	-	-	14,704,792
Deposits and placements with banks and other financial institutions	-	-	4,559,534	306,016	-	-	-	4,865,550
Securities purchased under resale agreements	-	-	1,010,453	-	-	-	-	1,010,453
Financial assets held-for-trading	119,232	1,959,188	6,445,085	685,779	1,096,934	1,827,173	3,519	12,136,910
Financial investments available-for-sale	2,051,788	189,794	781,755	305,062	1,772,915	11,986,287	396,576	17,484,177
Financial investments held-to-maturity	53	-	1,170	5,240	27,147	6,373,278	-	6,406,888
Loans, advances and financing	10,349,403	8,573,742	3,643,070	1,515,128	3,202,353	71,570,737	-	98,854,433
Other assets	97,055	2,201	3,752	4,953	3,349	18	697,248	808,576
Derivative financial instruments	91,061	76,162	58,093	71,565	49,975	464,519	-	811,375
Statutory deposits with Central Banks	-	-	-	-	-	-	3,466,839	3,466,839
Investment in associated company	-	-	-	-	-	-	1,869,114	1,869,114
Investment in jointly controlled entity	-	-	-	-	-	-	83,847	83,847
Property and equipment	-	-	-	-	-	-	768,091	768,091
Intangible assets	-	-	-	-	-	-	334,262	334,262
Goodwill	-	-	-	-	-	-	1,831,312	1,831,312
Total assets	21,281,573	16,932,898	16,502,912	2,893,743	6,152,673	92,222,012	9,450,808	165,436,619

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A33 Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 31 December 2013 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8: (continued)

	The Group							Total
	31 December 2013							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Liabilities								
Deposits from customers	51,368,244	22,941,395	17,643,154	12,735,876	17,754,370	3,420,936	-	125,863,975
Deposits and placements of banks and other financial institutions	2,514,465	2,174,075	1,922,590	545,017	-	-	-	7,156,147
Obligations on securities sold under repurchase agreements	250,692	869,600	3,486,335	-	-	-	-	4,606,627
Bills and acceptances payable	26,873	170,050	246,382	17,333	322	-	367,127	828,087
Other liabilities	3,258,676	-	-	87,287	175,649	-	216,486	3,738,098
Derivative financial instruments	74,887	107,320	46,412	50,733	62,508	494,351	-	836,211
Senior bonds	-	-	-	-	-	1,974,126	-	1,974,126
Tier 2 subordinated bonds	-	-	-	-	-	4,385,936	-	4,385,936
Non-innovative Tier 1 stapled securities	-	-	-	-	-	1,409,581	-	1,409,581
Innovative Tier 1 capital securities	-	-	-	-	-	548,619	-	548,619
Provision for taxation	-	-	-	-	-	-	244,926	244,926
Deferred tax liabilities	-	-	-	-	-	-	106,231	106,231
Total liabilities	57,493,837	26,262,440	23,344,873	13,436,246	17,992,849	12,233,549	934,770	151,698,564
Total equity	-	-	-	-	-	-	13,738,055	13,738,055
Total liabilities and equity	57,493,837	26,262,440	23,344,873	13,436,246	17,992,849	12,233,549	14,672,825	165,436,619
Net liquidity gap	(36,212,264)	(9,329,542)	(6,841,961)	(10,542,503)	(11,840,176)	79,988,463	8,516,038	13,738,055

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A33 Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 30 June 2013 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8:

	The Group							Total
	30 June 2013							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Assets								
Cash and short-term funds	9,618,098	8,429,350	-	-	-	-	-	18,047,448
Deposits and placements with banks and other financial institutions	-	-	5,204,128	724,242	-	-	-	5,928,370
Securities purchased under resale agreements	-	-	1,025,253	-	-	-	-	1,025,253
Financial assets held-for-trading	717,760	4,386,073	5,757,057	1,950,498	484,567	1,887,204	12,623	15,195,782
Financial investments available-for-sale	24,994	1,655,594	564,595	34,202	940,543	10,195,047	412,087	13,827,062
Financial investments held-to-maturity	317	595,927	30,579	-	6,430	3,527,759	-	4,161,012
Loans, advances and financing	8,906,145	8,482,790	5,000,324	1,541,260	3,384,972	68,115,470	-	95,430,961
Other assets	408,488	4,029	4,481	5,845	1,001	9,489	455,267	888,600
Derivative financial instruments	62,927	74,517	73,507	69,808	53,302	543,083	-	877,144
Statutory deposits with Central Banks	-	-	-	-	-	-	3,432,909	3,432,909
Investment in associated company	-	-	-	-	-	-	1,752,949	1,752,949
Investment in jointly controlled entity	-	-	-	-	-	-	79,945	79,945
Property and equipment	-	-	-	-	-	-	737,535	737,535
Intangible assets	-	-	-	-	-	-	369,415	369,415
Goodwill	-	-	-	-	-	-	1,831,312	1,831,312
Total assets	19,738,729	23,628,280	17,659,924	4,325,855	4,870,815	84,278,052	9,084,042	163,585,697

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A33 Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 30 June 2013 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8: (continued)

	The Group							Total
	30 June 2013							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Liabilities								
Deposits from customers	48,366,358	18,931,493	20,760,989	13,011,396	19,152,329	3,414,505	-	123,637,070
Deposits and placements of banks and other financial institutions	2,934,132	3,900,979	4,654,412	77,624	-	-	-	11,567,147
Obligations on securities sold under repurchase agreements	-	-	1,748,744	-	-	-	-	1,748,744
Bills and acceptances payable	261	38,915	225,736	28,566	47	-	507,155	800,680
Other liabilities	2,721,699	-	-	-	236,438	84,827	223,483	3,266,447
Derivative financial instruments	81,726	123,408	122,698	29,052	28,853	568,450	-	954,187
Senior bonds	-	-	-	-	-	1,902,171	-	1,902,171
Tier 2 subordinated bonds	-	-	-	-	-	4,382,603	-	4,382,603
Non-innovative Tier 1 stapled securities	-	-	-	-	-	1,408,992	-	1,408,992
Innovative Tier 1 capital securities	-	-	-	-	-	556,042	-	556,042
Provision for taxation	-	-	-	-	-	-	213,555	213,555
Deferred tax liabilities	-	-	-	-	-	-	111,435	111,435
Total liabilities	54,104,176	22,994,795	27,512,579	13,146,638	19,417,667	12,317,590	1,055,628	150,549,073
Total equity							13,036,624	13,036,624
Total liabilities and equity	54,104,176	22,994,795	27,512,579	13,146,638	19,417,667	12,317,590	14,092,252	163,585,697
Net liquidity gap	(34,365,447)	633,485	(9,852,655)	(8,820,783)	(14,546,852)	71,960,462	8,028,414	13,036,624

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A33 Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 31 December 2013 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8:

	The Bank							Total RM'000
	31 December 2013							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	
Assets								
Cash and short-term funds	6,710,772	5,943,202	-	-	-	-	-	12,653,974
Deposits and placements with banks and other financial institutions	-	-	4,489,824	306,016	-	-	-	4,795,840
Securities purchased under resale agreements	-	-	1,010,453	-	-	-	-	1,010,453
Financial assets held-for-trading	313,222	1,947,123	5,719,532	676,695	402,121	1,961,212	3,519	11,023,424
Financial investments available-for-sale	2,051,788	156,496	656,891	274,775	1,369,851	9,835,298	396,509	14,741,608
Financial investments held-to-maturity	53	-	226,199	70,203	20,371	6,013,195	-	6,330,021
Loans, advances and financing	10,134,732	8,009,206	3,205,787	1,229,195	2,835,530	59,435,777	-	84,850,227
Other assets	95,461	2,133	3,676	4,839	3,210	18	642,842	752,179
Derivative financial instruments	90,787	75,794	57,167	68,958	45,249	450,800	-	788,755
Amount due from subsidiaries	-	-	-	-	-	-	6,427	6,427
Statutory deposits with Central Banks	-	-	-	-	-	-	2,937,000	2,937,000
Investment in subsidiary company	-	-	-	-	-	-	2,194,974	2,194,974
Investment in associated company	-	-	-	-	-	-	946,505	946,505
Investment in jointly controlled entity	-	-	-	-	-	-	76,711	76,711
Property and equipment	-	-	-	-	-	-	738,942	738,942
Intangible assets	-	-	-	-	-	-	321,008	321,008
Goodwill	-	-	-	-	-	-	1,771,547	1,771,547
	19,396,815	16,133,954	15,369,529	2,630,681	4,676,332	77,696,300	10,035,984	145,939,595

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A33 Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 31 December 2013 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8: (continued)

	The Bank							Total RM'000
	31 December 2013							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	
Liabilities								
Deposits from customers	44,387,585	20,291,107	15,383,660	11,331,105	16,081,576	3,023,249	-	110,498,282
Deposits and placements of banks and other financial institutions	2,318,049	2,047,788	1,315,423	417,665	-	-	-	6,098,925
Obligations on securities sold under repurchase agreements	250,692	869,600	3,486,335	-	-	-	-	4,606,627
Bills and acceptances payable	26,870	169,871	245,837	15,784	322	-	344,286	802,970
Other liabilities	2,193,047	-	-	87,287	173,310	-	212,097	2,665,741
Derivative financial instruments	74,394	106,086	46,245	50,472	59,060	473,778	-	810,035
Senior bonds	-	-	-	-	-	1,974,126	-	1,974,126
Tier 2 subordinated bonds	-	-	-	-	-	4,385,934	-	4,385,934
Non-innovative Tier 1 stapled securities	-	-	-	-	-	1,409,581	-	1,409,581
Innovative Tier 1 capital securities	-	-	-	-	-	548,619	-	548,619
Provision for taxation	-	-	-	-	-	-	202,374	202,374
Deferred tax liabilities	-	-	-	-	-	-	107,421	107,421
Total liabilities	49,250,637	23,484,452	20,477,500	11,902,313	16,314,268	11,815,287	866,178	134,110,635
Total equity	-	-	-	-	-	-	11,828,960	11,828,960
Total liabilities and equity	49,250,637	23,484,452	20,477,500	11,902,313	16,314,268	11,815,287	12,695,138	145,939,595
Net liquidity gap	(29,853,822)	(7,350,498)	(5,107,971)	(9,271,632)	(11,637,936)	65,881,013	9,169,806	11,828,960

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A33 Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 30 June 2013 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8:

	The Bank							Total
	30 June 2013							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Assets								
Cash and short-term funds	8,348,508	8,370,750	-	-	-	-	-	16,719,258
Deposits and placements with banks and other financial institutions	-	-	6,004,814	724,242	-	-	-	6,729,056
Securities purchased under resale agreements	-	-	1,025,253	-	-	-	-	1,025,253
Financial assets held-for-trading	679,405	2,809,783	4,973,780	1,527,253	629,521	1,474,562	12,624	12,106,928
Financial investments available-for-sale	24,994	1,610,051	496,459	10,103	687,539	8,394,282	412,021	11,635,449
Financial investments held-to-maturity	83	595,927	-	-	296,363	3,223,432	-	4,115,805
Loans, advances and financing	8,696,442	8,056,000	4,456,740	1,119,410	2,970,540	56,536,602	-	81,835,734
Other assets	406,357	2,589	4,333	5,667	885	9,489	365,190	794,510
Derivative financial instruments	62,825	74,530	72,798	143,424	53,289	532,543	-	939,409
Amount due from subsidiaries	-	-	-	-	-	-	616,487	616,487
Statutory deposits with Central Banks	-	-	-	-	-	-	2,917,000	2,917,000
Investment in subsidiary companies	-	-	-	-	-	-	2,194,913	2,194,913
Investment in associated company	-	-	-	-	-	-	946,505	946,505
Investment in jointly controlled entity	-	-	-	-	-	-	76,711	76,711
Property and equipment	-	-	-	-	-	-	712,963	712,963
Intangible assets	-	-	-	-	-	-	362,855	362,855
Goodwill	-	-	-	-	-	-	1,771,547	1,771,547
Total assets	18,218,614	21,519,630	17,034,177	3,530,099	4,638,137	70,170,910	10,388,816	145,500,383

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A33 Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 30 June 2013 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8: (continued)

	The Bank							Total
	30 June 2013							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Liabilities								
Deposits from customers	42,062,496	15,811,417	18,567,893	11,871,122	16,982,599	3,873,104	-	109,168,631
Deposits and placements of banks and other financial institutions	2,259,135	3,667,435	4,176,310	63,234	-	-	-	10,166,114
Obligations on securities sold under repurchase agreements	-	-	1,748,744	-	-	-	-	1,748,744
Bills and acceptances payable	252	38,806	224,448	26,676	47	-	366,663	656,892
Other liabilities	2,372,431	-	-	-	231,926	84,827	191,088	2,880,272
Derivative financial instruments	80,856	118,784	122,934	104,777	27,233	556,665	-	1,011,249
Senior bonds	-	-	-	-	-	1,902,171	-	1,902,171
Tier 2 subordinated bonds	-	-	-	-	-	4,382,601	-	4,382,601
Non-innovative Tier 1 stapled securities	-	-	-	-	-	1,408,992	-	1,408,992
Innovative Tier 1 capital securities	-	-	-	-	-	556,042	-	556,042
Provision for taxation	-	-	-	-	-	-	165,974	165,974
Deferred tax liabilities	-	-	-	-	-	-	112,284	112,284
Total liabilities	46,775,170	19,636,442	24,840,329	12,065,809	17,241,805	12,764,402	836,009	134,159,966
Total equity	-	-	-	-	-	-	11,340,417	11,340,417
Total liabilities and equity	46,775,170	19,636,442	24,840,329	12,065,809	17,241,805	12,764,402	12,176,426	145,500,383
Net liquidity gap	(28,556,556)	1,883,188	(7,806,152)	(8,535,710)	(12,603,668)	57,406,508	9,552,807	11,340,417