

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

Condensed Financial Statements
Unaudited Statements of Financial Position As At 31 March 2014

	Note	The Group		The Bank	
		As at 31/03/2014 RM'000	As at 30/06/2013 RM'000	As at 31/03/2014 RM'000	As at 30/06/2013 RM'000
ASSETS					
Cash and short-term funds		12,001,255	18,047,448	11,249,886	16,719,258
Deposits and placements with financial institutions		4,594,228	5,928,370	4,568,073	6,729,056
Securities purchased under resale agreements		3,334,103	1,025,253	3,334,103	1,025,253
Financial assets held-for-trading	A8	10,658,118	15,195,782	10,107,910	12,106,928
Financial investments available-for-sale	A9	16,908,585	13,827,062	13,986,825	11,635,449
Financial investments held-to-maturity	A10	8,509,843	4,161,012	7,555,170	4,115,805
Loans, advances and financing	A11	100,015,305	95,430,961	85,949,921	81,835,734
Other assets	A12	645,788	888,600	598,225	794,510
Derivative financial instruments		809,955	877,144	788,784	939,409
Amount due from subsidiaries		-	-	11,444	616,487
Statutory deposits with Central Banks		3,558,331	3,432,909	3,043,500	2,917,000
Investment in subsidiary companies		-	-	1,591,457	2,194,913
Investment in associated company		1,973,099	1,752,949	946,505	946,505
Investment in jointly controlled entity		87,114	79,945	76,711	76,711
Property and equipment		722,225	737,535	693,643	712,963
Intangible assets		368,869	369,415	355,570	362,855
Goodwill		1,831,312	1,831,312	1,771,547	1,771,547
Total Assets		166,018,130	163,585,697	146,629,274	145,500,383
LIABILITIES AND SHAREHOLDERS' FUNDS					
Deposits from customers	A13	127,553,755	123,637,070	111,925,817	109,168,631
Deposits and placements of banks and other financial institutions	A14	5,126,409	11,567,147	4,569,160	10,166,114
Obligations on securities sold under repurchase agreements		6,289,458	1,748,744	6,289,458	1,748,744
Bills and acceptances payable		317,576	800,680	296,242	656,892
Other liabilities	A15	3,822,633	3,266,447	2,746,855	2,880,272
Derivative financial instruments		734,096	954,187	712,228	1,011,249
Senior bonds	A16	1,966,579	1,902,171	1,966,579	1,902,171
Tier II subordinated bonds	A17	3,997,372	4,382,603	3,997,370	4,382,601
Non-innovative Tier 1 stapled securities	A18	1,427,267	1,408,992	1,427,267	1,408,992
Innovative Tier 1 capital securities	A19	534,875	556,042	534,875	556,042
Provision for taxation		158,174	213,555	126,347	165,974
Deferred tax liabilities		106,828	111,435	107,613	112,284
Total Liabilities		152,035,022	150,549,073	134,699,811	134,159,966
Share Capital		1,879,909	1,879,909	1,879,909	1,879,909
Reserves		12,752,086	11,818,524	10,698,441	10,122,317
Less: Treasury Shares		(648,887)	(661,809)	(648,887)	(661,809)
Total Shareholders' Equity		13,983,108	13,036,624	11,929,463	11,340,417
Total Liabilities and Equity		166,018,130	163,585,697	146,629,274	145,500,383
COMMITMENTS AND CONTINGENCIES	A30	187,661,874	159,578,751	178,364,273	158,249,385

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

7.94 7.41 6.77 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 March 2014

The Group

	Note	Current Quarter Ended 31/03/2014 RM'000	Corresponding Quarter Ended 31/03/2013 RM'000	Current Period Ended 31/03/2014 RM'000	Corresponding Period Ended 31/03/2013 RM'000
Interest income	A20	1,420,475	1,393,661	4,256,109	4,140,502
Interest expense	A21	(742,742)	(756,467)	(2,271,213)	(2,263,762)
Net interest income		677,733	637,194	1,984,896	1,876,740
Net income from Islamic Banking business	A22	108,909	116,708	330,150	347,612
Other operating income	A23	161,623	271,014	717,596	807,462
Net Income		948,265	1,024,916	3,032,642	3,031,814
Other operating expenses	A24	(410,523)	(457,975)	(1,325,088)	(1,352,439)
Operating profit before allowances		537,742	566,941	1,707,554	1,679,375
Allowance for impairment losses on loans, advances and financing	A25	(25,161)	(41,301)	(27,763)	(13,086)
Write back of impairment losses		19,689	157	39,071	5,016
Share of profit after tax of equity accounted associated company		532,270	525,797	1,718,862	1,671,305
		103,985	61,226	276,236	190,583
Share of profit after tax of equity accounted jointly controlled entity		3,267	895	7,169	1,806
Profit before taxation		639,522	587,918	2,002,267	1,863,694
Taxation	B5	(139,473)	(133,705)	(437,444)	(423,856)
Net profit for the financial period		500,049	454,213	1,564,823	1,439,838
Attributable to:					
Owners of the parent		500,049	454,213	1,564,823	1,439,838
Earnings per share - basic (sen)	B13(a)	28.4	25.9	88.9	82.1
Earnings per share - fully diluted (sen)	B13(b)	28.4	25.8	88.8	81.9

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 March 2014

The Group

	Current Quarter Ended 31/03/2014 RM'000	Corresponding Quarter Ended 31/03/2013 RM'000	Current Period Ended 31/03/2014 RM'000	Corresponding Period Ended 31/03/2013 RM'000
Net profit for the financial period	500,049	454,213	1,564,823	1,439,838
Other comprehensive income :				
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive loss of associated company	-	-	(22)	(22)
Currency translation differences	(2,241)	3,423	24,275	(2,716)
Net fair value changes on financial investments available-for-sale	7,005	(767)	644	15,337
Income tax relating to components of other comprehensive (income)/loss	(1,751)	192	(161)	(3,834)
Other comprehensive income for the financial period	3,013	2,848	24,736	8,765
Total comprehensive income for the financial period, net of tax	503,062	457,061	1,589,559	1,448,603
Attributable to:				
- Owners of the parent	503,062	457,061	1,589,559	1,448,603

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 Statements of Income
For The Financial Quarter Ended 31 March 2014

The Bank

	Note	Current Quarter Ended 31/03/2014 RM'000	Corresponding Quarter Ended 31/03/2013 RM'000	Current Period Ended 31/03/2014 RM'000	Corresponding Period Ended 31/03/2013 RM'000
Interest income	A20	1,419,993	1,408,872	4,277,175	4,189,376
Interest expense	A21	(754,732)	(782,680)	(2,328,550)	(2,345,645)
Net interest income		665,261	626,192	1,948,625	1,843,731
Other operating income	A23	170,226	271,832	850,435	991,194
Net Income		835,487	898,024	2,799,060	2,834,925
Other operating expenses	A24	(355,719)	(405,466)	(1,161,951)	(1,189,919)
Operating profit before allowances		479,768	492,558	1,637,109	1,645,006
Allowance for impairment losses on loans, advances and financing	A25	(27,772)	(45,334)	(34,823)	(29,238)
Write back of impairment losses		19,689	157	39,071	5,016
Profit before taxation		471,685	447,381	1,641,357	1,620,784
Taxation	B5	(120,388)	(114,168)	(419,513)	(418,621)
Net profit for the financial period		351,297	333,213	1,221,844	1,202,163
Attributable to:					
Owners of the parent		351,297	333,213	1,221,844	1,202,163
Earnings per share - basic (sen)	B13(a)	20.0	19.0	69.4	68.6
Earnings per share - fully diluted (sen)	B13(b)	19.9	19.0	69.4	68.4

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 March 2014

The Bank

	Current Quarter Ended 31/03/2014 RM'000	Corresponding Quarter Ended 31/03/2013 RM'000	Current Period Ended 31/03/2014 RM'000	Corresponding Period Ended 31/03/2013 RM'000
Net profit for the financial period	<u>351,297</u>	<u>333,213</u>	<u>1,221,844</u>	<u>1,202,163</u>
Other comprehensive income/(loss) :				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences	2	(57)	719	11,181
Net fair value changes on financial investments available-for-sale	9,617	(788)	12,744	17,819
Income tax relating to components of other comprehensive (income)/loss	<u>(2,404)</u>	<u>197</u>	<u>(3,186)</u>	<u>(4,455)</u>
Other comprehensive income/(loss) for the financial period	<u>7,215</u>	<u>(648)</u>	<u>10,277</u>	<u>24,545</u>
Total comprehensive income for the financial period, net of tax	<u><u>358,512</u></u>	<u><u>332,565</u></u>	<u><u>1,232,121</u></u>	<u><u>1,226,708</u></u>

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

HONG LEONG BANK BERHAD
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Condensed Financial Statements
Unaudited Statement of Changes in Equity For The Financial Period Ended 31 March 2014

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
<u>Comprehensive income</u>										
Net profit for the financial period	-	-	-	-	-	-	-	1,564,823	-	1,564,823
- Share of other comprehensive loss of associated company	-	-	-	(22)	-	-	-	-	-	(22)
- Net fair value changes in financial investments available-for-sale	-	-	-	483	-	-	-	-	-	483
- Currency translation difference	-	-	-	-	-	-	24,275	-	-	24,275
Total comprehensive income	-	-	-	461	-	-	24,275	1,564,823	-	1,589,559
<u>Transactions with owners</u>										
Transfer to statutory reserve/regulatory reserve	-	-	384,052	-	-	-	-	(384,052)	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	(15)	(15)
Dividend paid	-	-	-	-	-	-	-	(660,362)	-	(660,362)
ESOS exercised	-	-	-	-	(3,179)	-	-	5,944	12,937	15,702
Option charge arising from ESOS granted	-	-	-	-	1,600	-	-	-	-	1,600
Total transactions with owners	-	-	384,052	-	(1,579)	-	-	(1,038,470)	12,922	(643,075)
At 31 March 2014	1,879,909	2,832,383	3,009,795	163,587	3,546	8,527	10,523	6,723,725	(648,887)	13,983,108
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
<u>Comprehensive income</u>										
Net profit for the financial period	-	-	-	-	-	-	-	1,439,838	-	1,439,838
- Share of other comprehensive loss of associated company	-	-	-	(22)	-	-	-	-	-	(22)
- Net fair value changes in financial investments available-for-sale	-	-	-	11,503	-	-	-	-	-	11,503
- Currency translation difference	-	-	-	-	-	-	(2,716)	-	-	(2,716)
Total comprehensive income/(loss)	-	-	-	11,481	-	-	(2,716)	1,439,838	-	1,448,603
<u>Transactions with owners</u>										
Transfer to statutory reserve/regulatory reserve	-	-	83,054	-	-	2,462	-	(85,516)	-	-
Dividend paid	-	-	-	-	-	-	-	(552,613)	-	(552,613)
Purchase of treasury shares	-	-	-	-	-	-	-	-	(13)	(13)
ESOS exercised	-	-	-	-	(3,750)	-	-	4,072	30,725	31,047
Option charge arising from ESOS granted	-	-	-	-	4,036	-	-	-	-	4,036
Total transactions with owners	-	-	83,054	-	286	2,462	-	(634,057)	30,712	(517,543)
At 31 March 2013	1,879,909	2,832,383	2,232,855	204,351	22,769	8,507	(23,496)	6,162,021	(684,080)	12,635,219

* 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 March 2014

	← 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	-	-	-	-	-	-	1,221,844	-	1,221,844
- Net fair value changes in financial investments available-for-sale	-	-	-	9,558	-	-	-	-	9,558
- Currency translation difference	-	-	-	-	-	719	-	-	719
Total comprehensive income	-	-	-	9,558	-	719	1,221,844	-	1,232,121
<u>Transactions with owners</u>									
Transfer to statutory reserves	-	-	305,461	-	-	-	(305,461)	-	-
Dividend paid	-	-	-	-	-	-	(660,362)	-	(660,362)
Purchase of treasury shares	-	-	-	-	-	-	-	(15)	(15)
ESOS exercised	-	-	-	-	(3,179)	-	5,944	12,937	15,702
Options charge arising from ESOS granted	-	-	-	-	1,600	-	-	-	1,600
Total transactions with owners	-	-	305,461	-	(1,579)	-	(959,879)	12,922	(643,075)
At 31 March 2014	1,879,909	2,832,383	2,547,984	180,241	3,546	37,042	5,097,245	(648,887)	11,929,463
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	-	-	-	-	-	-	1,202,163	-	1,202,163
- Net fair value changes in financial investments available-for-sale	-	-	-	13,364	-	-	-	-	13,364
- Currency translation difference	-	-	-	-	-	11,181	-	-	11,181
Total comprehensive income	-	-	-	13,364	-	11,181	1,202,163	-	1,226,708
<u>Transactions with owners</u>									
Dividend paid	-	-	-	-	-	-	(552,613)	-	(552,613)
Purchase of treasury shares	-	-	-	-	-	-	-	(13)	(13)
ESOS exercised	-	-	-	-	(3,750)	-	4,072	30,725	31,047
Options charge arising from ESOS granted	-	-	-	-	4,036	-	-	-	4,036
Total transactions with owners	-	-	-	-	286	-	(548,541)	30,712	(517,543)
At 31 March 2013	1,879,909	2,832,383	1,879,909	207,019	22,769	36,295	4,937,778	(684,080)	11,111,982

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 Condensed Statements of Cash Flows
For The Financial Period Ended 31 March 2014

	The Group		The Bank	
	Financial Period Ended 31/03/2014 RM'000	Financial Period Ended 31/03/2013 RM'000	Financial Period Ended 31/03/2014 RM'000	Financial Period Ended 31/03/2013 RM'000
Profit before taxation	2,002,267	1,863,694	1,641,357	1,620,784
Adjustments for non-cash items	(373,335)	(97,571)	111,337	(53,739)
Operating profit before working capital changes	1,628,932	1,766,123	1,752,694	1,567,045
Changes in working capital:				
Net changes in operating assets	(824,672)	2,409,674	(1,591,617)	427,193
Net changes in operating liabilities	1,727,075	(1,486,525)	1,364,969	(1,501,522)
Income taxes and zakat paid	(360,826)	(253,327)	(302,601)	(225,634)
Net cash generated from operating activities	<u>2,170,509</u>	<u>2,435,945</u>	<u>1,223,445</u>	<u>267,082</u>
Cash flows from investing activities				
Net purchases of financial investments available-for-sale	(2,713,674)	(3,127,082)	(2,016,513)	(2,483,787)
Net (purchases)/proceeds of financial investments held-to-maturity	(4,208,497)	(15,351)	(3,265,182)	706,241
Purchase of property and equipment	(101,103)	(90,998)	(92,675)	(88,508)
Proceeds from sale of property and equipment	701	1,735	686	1,663
Net purchases of intangible assets	(85,849)	(10,956)	(75,806)	(10,308)
Dividend received on financial investments available-for-sale and held-to-maturity	48,334	40,498	48,334	40,498
Dividend from associated company	56,086	51,344	56,086	51,344
Dividend from subsidiary company	-	-	56,700	111,239
Net cash used in investing activities	<u>(7,004,002)</u>	<u>(3,150,810)</u>	<u>(5,288,370)</u>	<u>(1,671,618)</u>
Cash flows from financing activities				
Dividend paid	(660,362)	(552,613)	(660,362)	(552,613)
Repayment of Tier 2 subordinated loan	(410,000)	-	(410,000)	-
Purchase of treasury shares	(15)	(13)	(15)	(13)
Cash received from ESOS exercised	15,702	31,047	15,702	31,047
Interest paid on subordinated obligations	(244,674)	(232,952)	(413,144)	(246,668)
Net cash used in financing activities	<u>(1,299,349)</u>	<u>(754,531)</u>	<u>(1,467,819)</u>	<u>(768,247)</u>
Net decrease in cash and cash equivalents	(6,132,842)	(1,469,396)	(5,532,744)	(2,172,783)
Currency translation differences	86,649	(51,625)	63,372	(37,969)
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>12,001,255</u>	<u>18,115,005</u>	<u>11,249,886</u>	<u>16,199,332</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)

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 MARCH 2014**

A1 Basis of preparation

The unaudited condensed financial statements for the financial period ended 31 March 2014 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 cyclical 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 31 March 2014:-

a) Share Buy-back

During the financial period ended 31 March 2014, 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 March 2014 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	-	-	-	-	-
Jan-14	-	-	-	-	-
Feb-14	-	-	-	-	-
Mar-14	-	-	-	-	-
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 March 2014 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

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 March 2014, the trust did not purchase any new shares. As at 31 March 2014, the total number of Treasury Shares for ESOS was 36,779,413 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 March 2014, a total of 2,242,744 ordinary shares of RM1 each for cash were exercised pursuant to the Company's ESOS at exercise price above per ordinary share.

c) Repayment of debt and equity securities

On 27 February 2014, HLB had fully redeemed the first tranche of RM410.0 million nominal value bearing coupon rate of 5.75% per annum, which were previously issued by Promino Sdn Bhd (formerly known as EON Bank Berhad) and vested to HLB on 1 July 2011.

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.

An interim single tier dividend of 15.0 sen per share in respect of financial year ended 30 June 2014 amounting to RM264.2 million was paid on 27 March 2014.

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A8 Financial assets held-for-trading

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2014</u>	<u>30/06/2013</u>	<u>31/03/2014</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	1,715,457	4,961,614	1,231,384	2,535,880
Government treasury bills	355,778	352,727	198,639	352,727
Malaysian Government securities	553,891	704,705	553,891	704,705
Malaysian Government investment certificates	270,587	692,661	40,018	220,169
Bankers' acceptances and Islamic accepted bills	50,659	3,237,163	-	3,038,329
Negotiable instruments of deposit	7,050,000	4,400,751	7,490,027	4,602,982
Cagamas bonds	45,636	20,573	45,636	20,573
Khazanah	37,082	-	-	-
	<u>10,079,090</u>	<u>14,370,194</u>	<u>9,559,595</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	388,680	583,887	357,967	412,657
Foreign currency bonds	186,829	229,077	186,829	206,282
Total financial assets held-for-trading	<u><u>10,658,118</u></u>	<u><u>15,195,782</u></u>	<u><u>10,107,910</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>31/03/2014</u>	<u>30/06/2013</u>	<u>31/03/2014</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	550,505	371,911	550,505	371,911
Malaysian Government securities	2,399,209	153,141	2,399,209	153,141
Malaysian Government investment certificates	2,405,294	3,104,568	865,220	2,079,978
Negotiable instruments of deposit	147,390	142,045	147,692	142,574
Other Government securities	527,881	455,868	-	-
Cagamas bonds	803,890	760,660	707,726	669,255
Khazanah Bonds	157,154	-	157,154	-
	<u>6,991,323</u>	<u>4,988,193</u>	<u>4,827,506</u>	<u>3,416,859</u>
Quoted Securities:				
Shares in Malaysia	65,631	81,372	65,631	81,372
Shares outside Malaysia	23	223	23	223
Loans stocks quoted in Malaysia	-	7,437	-	530
Wholesale fund	2,000,800	1,499,900	2,000,800	1,499,900
Unquoted securities:				
Private debt securities in Malaysia	3,847,855	2,583,522	3,229,196	2,060,501
Shares in Malaysia	326,513	326,513	326,446	326,446
Shares outside Malaysia	3,565	3,450	3,565	3,450
Foreign currency bonds in Malaysia	2,886,048	3,396,120	2,746,831	3,305,836
Foreign currency bonds outside Malaysia	786,827	940,332	786,827	940,332
Total financial investments available-for-sale	<u><u>16,908,585</u></u>	<u><u>13,827,062</u></u>	<u><u>13,986,825</u></u>	<u><u>11,635,449</u></u>

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A10 Financial investments held-to-maturity

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>31/03/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Money market instruments:				
Malaysian Government securities	3,049,178	1,616,218	3,049,178	1,616,218
Malaysian Government investment certificates	5,079,408	2,303,940	3,627,872	1,465,068
Cagamas bonds	96,916	76,718	55,849	35,655
Negotiable instruments of deposit	3,717	5,833	717,553	943,717
Other Government securities	154,918	2,541	50,682	2,541
	<u>8,384,137</u>	<u>4,005,250</u>	<u>7,501,134</u>	<u>4,063,199</u>
Unquoted securities in Malaysia:				
Loan stocks	50	120	50	120
Private and Islamic debt securities	71,670	103,156	-	-
Unquoted bonds	486	486	486	486
Investment in preference shares	53,500	52,000	53,500	52,000
	<u>125,706</u>	<u>155,762</u>	<u>54,036</u>	<u>52,606</u>
Total financial investments held-to-maturity	<u>8,509,843</u>	<u>4,161,012</u>	<u>7,555,170</u>	<u>4,115,805</u>

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A11 Loans, advances and financing

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>31/03/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Overdrafts	4,044,231	4,346,203	3,886,798	4,154,195
Term loans:				
- Housing and shop loans/financing	45,045,149	41,135,376	37,639,091	34,134,679
- Syndicated term loan/financing	7,671,609	6,300,297	7,031,924	5,782,212
- Hire purchase receivables	17,386,355	17,408,072	13,785,704	13,612,858
- Other term loans/financing	9,421,022	9,829,885	7,787,367	8,273,558
Credit/charge card receivables	4,178,341	4,088,083	4,178,341	4,088,083
Bills receivables	1,026,641	1,292,482	1,018,867	1,287,605
Trust receipts	334,737	302,199	275,678	298,749
Claims on customers under acceptance credits	6,833,763	7,362,332	6,400,197	6,863,637
Block discounting	243	6,030	243	6,030
Revolving credits	5,396,315	4,890,478	5,012,282	4,573,967
Staff loans:				
Staffs other than directors	176,190	192,788	162,235	181,530
Other loans/financing	133,751	54,732	127,015	50,910
Gross loans, advances and financing	<u>101,648,347</u>	<u>97,208,957</u>	<u>87,305,742</u>	<u>83,308,013</u>
Fair value changes arising from fair value hedges	(360)	(7,450)	-	(674)
Unamortised fair value changes arising from terminated fair value hedges	121	15,035	5,093	10,524
Allowance for impaired loans, advances and financing:				
- Collective assessment allowance	(1,123,172)	(1,259,563)	(931,423)	(1,032,022)
- Individual assessment allowance	(509,631)	(526,018)	(429,491)	(450,107)
Total net loans, advances and financing	<u><u>100,015,305</u></u>	<u><u>95,430,961</u></u>	<u><u>85,949,921</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>	
	31/03/2014	30/06/2013	31/03/2014	30/06/2013
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions	123,554	293,310	96,245	101,233
Domestic business enterprises				
- small and medium enterprises	15,632,236	14,516,722	14,407,267	13,466,490
- others	18,787,970	19,560,421	16,644,025	17,495,895
Government and statutory bodies	25,331	23,538	13,110	14,889
Individuals	62,402,309	58,705,833	51,824,708	48,474,121
Other domestic entities	162,546	231,638	131,344	195,723
Foreign entities	4,514,401	3,877,495	4,189,043	3,559,662
Gross loans, advances and financing	<u>101,648,347</u>	<u>97,208,957</u>	<u>87,305,742</u>	<u>83,308,013</u>

A11b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	31/03/2014	30/06/2013	31/03/2014	30/06/2013
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Housing and shop loans/financing	2,784,142	3,092,687	1,639,047	1,832,102
- Hire purchase receivables	16,959,450	17,032,101	13,358,799	13,240,138
- Other fixed rate loan/financing	7,053,037	7,210,801	6,116,938	6,263,631
Variable rate				
- Base lending rate plus	60,985,118	56,615,136	53,280,864	49,611,579
- Cost plus	13,704,119	12,612,686	12,909,765	11,797,480
- Other variables rates	162,481	645,546	329	563,083
Gross loans, advances and financing	<u>101,648,347</u>	<u>97,208,957</u>	<u>87,305,742</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>31/03/2014</u>	<u>30/06/2013</u>	<u>31/03/2014</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	914,463	981,258	900,250	969,569
Purchase of transport vehicles	17,317,422	17,345,577	13,689,420	13,541,768
Purchase of landed properties				
- residential	37,715,969	34,216,321	31,211,199	28,257,239
- non-residential	11,920,403	10,858,636	10,854,197	9,860,975
Purchase of fixed assets (excluding landed properties)	597,461	555,874	554,201	519,919
Personal use	3,494,982	3,502,241	2,826,601	2,744,303
Credit card	4,178,341	4,088,083	4,178,341	4,088,083
Purchase of consumer durables	451	472	449	468
Construction	1,185,148	1,163,851	1,101,794	1,119,190
Mergers and acquisition	347,581	447,926	347,581	447,926
Working capital	21,594,559	21,770,180	19,519,870	19,746,342
Others	2,381,567	2,278,538	2,121,839	2,012,231
Gross loans, advances and financing	<u>101,648,347</u>	<u>97,208,957</u>	<u>87,305,742</u>	<u>83,308,013</u>

A11d By geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2014</u>	<u>30/06/2013</u>	<u>31/03/2014</u>	<u>30/06/2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	98,314,949	94,484,686	84,340,995	80,827,537
Singapore	2,964,747	2,480,476	2,964,747	2,480,476
Vietnam	304,056	243,795	-	-
Cambodia	64,595	-	-	-
Gross loans, advances and financing	<u>101,648,347</u>	<u>97,208,957</u>	<u>87,305,742</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>31/03/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>31/03/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Within one year	26,790,296	27,488,901	25,284,438	25,704,301
One year to less than three years	8,070,977	7,418,422	6,654,361	6,327,512
Three years to less than five years	9,490,343	9,087,625	7,879,884	7,418,718
Five years and more	57,296,731	53,214,009	47,487,059	43,857,482
Gross loans, advances and financing	<u>101,648,347</u>	<u>97,208,957</u>	<u>87,305,742</u>	<u>83,308,013</u>

A11f Impaired loans, advances and financing by economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>31/03/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Purchase of securities	822	6,895	801	6,854
Purchase of transport vehicles	222,927	220,106	173,621	170,886
Purchase of landed properties				
- residential	225,343	245,899	166,870	191,160
- non-residential	49,277	59,554	41,010	49,303
Purchase of fixed assets (excluding landed properties)	39,920	14,576	38,402	14,413
Personal use	42,777	72,209	30,792	62,319
Credit card	47,402	60,675	47,402	60,675
Purchase of consumer durables	4	4	4	4
Construction	4,962	9,266	3,299	7,609
Working capital	591,867	635,311	511,029	556,327
Others	37,081	34,948	37,081	34,623
	<u>1,262,382</u>	<u>1,359,443</u>	<u>1,050,311</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>31/03/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>31/03/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Malaysia	1,253,608	1,329,644	1,050,311	1,124,735
Singapore	-	29,438	-	29,438
Vietnam	8,774	361	-	-
	<u>1,262,382</u>	<u>1,359,443</u>	<u>1,050,311</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>31/03/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>31/03/2014</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	1,327,648	1,851,753	1,119,631	1,585,079
Performing during the financial period	(682,393)	(966,418)	(557,496)	(799,385)
Amount written back in respect of recoveries	(402,340)	(503,594)	(360,558)	(441,384)
Amount written off	(343,630)	(554,051)	(306,979)	(500,350)
Exchange difference	3,654	(261)	1,540	27
As at end of the financial period/year	<u>1,262,382</u>	<u>1,359,443</u>	<u>1,050,311</u>	<u>1,154,173</u>
Gross impaired loan as a % of gross loans, advances and financing	<u>1.2%</u>	<u>1.4%</u>	<u>1.2%</u>	<u>1.4%</u>

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A11 Loans, advances and financing (continued)

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

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2014</u>	<u>30/06/2013</u>	<u>31/03/2014</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	-	(379,804)	-	(405,744)
As restated	<u>1,259,563</u>	<u>1,501,615</u>	<u>1,032,022</u>	<u>1,188,198</u>
Net allowance made during the period/year	187,860	183,884	181,681	221,498
Amount transferred to individual assessment	(1,915)	(4,800)	(1,915)	(4,800)
Amount written off	(278,819)	(402,347)	(239,180)	(357,205)
Unwinding income	(44,258)	(18,751)	(41,952)	(15,657)
Exchange differences	741	(38)	767	(12)
As at end of the financial period/year	<u><u>1,123,172</u></u>	<u><u>1,259,563</u></u>	<u><u>931,423</u></u>	<u><u>1,032,022</u></u>
As a % of gross loans, advances and financing less individual assessment allowance	<u>1.1%</u>	<u>1.3%</u>	<u>1.1%</u>	<u>1.2%</u>
<u>Individual Assessment Allowance</u>				
At 1 July	526,018	541,978	450,107	463,710
Allowance made during the period/year	106,912	190,721	103,606	183,030
Amount transferred from collective assessment	1,915	4,800	1,915	4,800
Amount transferred to allowance for impairment losses on securities	-	(14,211)	-	(14,211)
Amount written back in respect of recoveries	(90,564)	(90,853)	(89,435)	(86,663)
Amount written off	(31,087)	(94,650)	(31,087)	(89,303)
Unwinding income	(5,749)	(11,524)	(5,701)	(11,301)
Exchange difference	2,186	(243)	86	45
As at end of the financial period/year	<u><u>509,631</u></u>	<u><u>526,018</u></u>	<u><u>429,491</u></u>	<u><u>450,107</u></u>

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A12 Other assets

	<u>The Group</u>		<u>The Bank</u>	
	31/03/2014 RM'000	30/06/2013 RM'000	31/03/2014 RM'000	30/06/2013 RM'000
Foreclosed properties	1,112	1,112	1,112	1,112
Sundry debtors and other prepayments	166,335	159,527	155,330	111,688
Treasury related receivables	272,554	255,608	272,554	254,632
Other receivables	205,787	472,353	169,229	427,078
	<u>645,788</u>	<u>888,600</u>	<u>598,225</u>	<u>794,510</u>

A13 Deposits from customers

A13a By type of deposit

	<u>The Group</u>		<u>The Bank</u>	
	31/03/2014 RM'000	30/06/2013 RM'000	31/03/2014 RM'000	30/06/2013 RM'000
Fixed deposits	74,751,619	73,423,719	66,208,504	66,079,991
Negotiable instruments of deposit	10,316,844	8,147,193	9,301,725	6,709,548
	<u>85,068,463</u>	<u>81,570,912</u>	<u>75,510,229</u>	<u>72,789,539</u>
Demand deposits	18,230,059	17,563,960	15,929,500	16,037,087
Saving deposits	14,927,576	14,439,487	12,774,991	12,342,637
Short term corporate placement	8,882,122	9,743,050	7,260,786	7,685,837
Other	499,342	319,661	491,164	313,531
Gross deposits from customers	<u>127,607,562</u>	<u>123,637,070</u>	<u>111,966,670</u>	<u>109,168,631</u>
Fair value changes arising from adoption of fair value option*	(53,807)	-	(40,853)	-
Total net deposits from customers	<u>127,553,755</u>	<u>123,637,070</u>	<u>111,925,817</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>31/03/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>31/03/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Government and statutory bodies	1,885,946	3,486,932	1,120,245	2,492,761
Business enterprises	53,829,458	49,835,642	44,348,611	40,745,271
Individuals	66,742,332	66,104,854	61,863,665	62,295,411
Others	5,149,826	4,209,642	4,634,149	3,635,188
	<u>127,607,562</u>	<u>123,637,070</u>	<u>111,966,670</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>31/03/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>31/03/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Due within six months	63,658,236	57,645,995	55,660,848	51,216,469
More than six months to one year	17,597,308	19,875,082	16,664,603	17,708,225
More than one year to five years	3,562,919	3,939,835	2,934,778	3,754,845
More than five years	250,000	110,000	250,000	110,000
	<u>85,068,463</u>	<u>81,570,912</u>	<u>75,510,229</u>	<u>72,789,539</u>

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A14 Deposits and placements of banks and other financial institution

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>31/03/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Licensed banks	4,838,429	9,840,902	4,569,160	9,785,220
Licensed investment banks	-	322,879	-	300,874
Licensed Islamic banks	-	930,887	-	-
Other financial institutions	287,980	472,479	-	80,020
	<u>5,126,409</u>	<u>11,567,147</u>	<u>4,569,160</u>	<u>10,166,114</u>
The maturity structure of deposits and placements of banks and other financial institutions:				
- One year or less (short term)	<u>5,126,409</u>	<u>11,567,147</u>	<u>4,569,160</u>	<u>10,166,114</u>

A15 Other liabilities

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>31/03/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Zakat	350	200	-	-
Post employment benefits obligation				
- defined contribution plan	2,936	2,948	2,936	2,948
Loan advance payment	1,809,639	1,603,098	1,458,399	1,309,788
Amount due to Cagamas Berhad	166,234	172,115	166,234	172,115
Amount due to subsidiary companies	-	-	28,450	129,742
Treasury clearing	200	113,385	200	1,028
Cheque clearing	27,475	74,199	-	30,537
Treasury related payable	24,014	21,416	24,014	21,416
Sundry creditors and accruals	627,719	543,355	561,809	499,766
Provision for bonus and staff related expenses	120,725	151,144	115,737	145,552
Others	1,043,341	584,587	389,076	567,380
	<u>3,822,633</u>	<u>3,266,447</u>	<u>2,746,855</u>	<u>2,880,272</u>

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A16 Senior bonds

		<u>The Group and The Bank</u>	
		<u>31/03/2014</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		123,150	60,150
		<u>1,958,700</u>	<u>1,895,700</u>
Add: Interest payable		15,200	16,192
		<u>1,973,900</u>	<u>1,911,892</u>
Less: Unamortised discounts		(7,321)	(9,721)
		<u><u>1,966,579</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>31/03/2014</u>	<u>30/06/2013</u>	<u>31/03/2014</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		4,651	12,836	4,651	12,836
		<u>704,651</u>	<u>712,836</u>	<u>704,651</u>	<u>712,836</u>
Less: Unamortised discounts		(310)	(741)	(310)	(741)
		<u><u>704,341</u></u>	<u><u>712,095</u></u>	<u><u>704,341</u></u>	<u><u>712,095</u></u>
RM1.0 billion Tier 2 subordinated debt, at par	(b)	1,000,000	1,000,000	1,000,000	1,000,000
Add: Interest payable		17,400	6,674	17,400	6,674
		<u>1,017,400</u>	<u>1,006,674</u>	<u>1,017,400</u>	<u>1,006,674</u>
Less: Unamortised discounts		(732)	(1,341)	(732)	(1,341)
		<u><u>1,016,668</u></u>	<u><u>1,005,333</u></u>	<u><u>1,016,668</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>31/03/2014</u>	<u>30/06/2013</u>	<u>31/03/2014</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)	750,000	1,160,000	750,000	1,160,000
Add: Interest payable		10,712	9,307	10,712	9,307
		<u>760,712</u>	<u>1,169,307</u>	<u>760,712</u>	<u>1,169,307</u>
Less: Unamortised discounts		(1,401)	(6,985)	(1,401)	(6,985)
Fair value adjustments on completion of business combination accounting		481	3,829	479	3,827
		<u>759,792</u>	<u>1,166,151</u>	<u>759,790</u>	<u>1,166,149</u>
RM1.5 billion Tier 2 subordinated debt, at par	(d)	1,500,000	1,500,000	1,500,000	1,500,000
Add: Interest payable		18,308	1,295	18,308	1,295
		<u>1,518,308</u>	<u>1,501,295</u>	<u>1,518,308</u>	<u>1,501,295</u>
Less: Unamortised discounts		(1,737)	(2,271)	(1,737)	(2,271)
		<u>1,516,571</u>	<u>1,499,024</u>	<u>1,516,571</u>	<u>1,499,024</u>
		<u>3,997,372</u>	<u>4,382,603</u>	<u>3,997,370</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.

On 27 February 2014, HLB had fully redeemed the first tranche of RM410.0 million nominal value of the 10 non-callable 5 years subordinated MTNs bearing coupon rate of 5.75% per annum.

- (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>31/03/2014</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	28,280	10,847
	<u>1,428,280</u>	<u>1,410,847</u>
Less: Unamortised discounts	(1,013)	(1,855)
	<u><u>1,427,267</u></u>	<u><u>1,408,992</u></u>

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

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

A19 Innovative Tier 1 capital securities

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2014</u>	<u>30/06/2013</u>	<u>31/03/2014</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	2,486	12,658	2,486	12,658
	<u>502,486</u>	<u>512,658</u>	<u>502,486</u>	<u>512,658</u>
Less: Unamortised discounts	(9,015)	(10,012)	(9,015)	(10,012)
Fair value adjustments on completion of business combination accounting	41,404	53,396	41,404	53,396
	<u><u>534,875</u></u>	<u><u>556,042</u></u>	<u><u>534,875</u></u>	<u><u>556,042</u></u>

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

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

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

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A20 Interest income

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Group				
Loan, advances and financing	1,040,796	1,018,276	3,084,382	3,002,243
Money at call and deposit placements with financial institutions	101,137	78,170	349,020	256,039
Securities purchased under resale agreements	12,272	7,994	29,133	19,968
Financial assets held-for-trading	117,190	190,712	374,142	561,426
Financial investments available-for-sale	101,124	74,569	299,376	226,230
Financial investments held-to-maturity	47,916	23,903	119,909	74,365
Others	40	37	147	231
	<u>1,420,475</u>	<u>1,393,661</u>	<u>4,256,109</u>	<u>4,140,502</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>37,100</u>	<u>6,944</u>	<u>47,653</u>	<u>20,654</u>

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Bank				
Loan, advances and financing	1,033,842	1,014,598	3,066,213	2,993,015
Money at call and deposit placements with financial institutions	104,960	82,283	364,911	263,073
Securities purchased under resale agreements	12,272	7,994	29,133	19,968
Financial assets held-for-trading	121,270	199,806	388,343	585,782
Financial investments available-for-sale	91,968	64,903	272,014	204,698
Financial investments held-to-maturity	55,641	27,928	143,691	88,141
Others	40	11,360	12,870	34,699
	<u>1,419,993</u>	<u>1,408,872</u>	<u>4,277,175</u>	<u>4,189,376</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>37,100</u>	<u>6,944</u>	<u>47,653</u>	<u>20,654</u>

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A21 Interest expense

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
	RM'000	RM'000	RM'000	RM'000
Group				
Deposits and placements of banks and other financial institutions	24,719	24,196	82,827	70,234
Deposits from customers	583,779	558,030	1,761,077	1,686,244
Short term corporate placements	43,333	84,006	147,944	237,965
Senior bonds	17,627	16,610	52,875	50,945
Tier-2 subordinated bonds	46,407	46,505	145,142	138,041
Non-innovative Tier-1 stapled securities	17,685	17,798	53,915	54,252
Innovative Tier-1 capital securities	6,712	6,016	19,970	17,552
Others	2,480	3,306	7,463	8,529
	<u>742,742</u>	<u>756,467</u>	<u>2,271,213</u>	<u>2,263,762</u>

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
	RM'000	RM'000	RM'000	RM'000
Bank				
Deposits and placements of banks and other financial institutions	24,894	24,854	89,029	70,819
Deposits from customers	591,753	579,740	1,800,548	1,753,826
Short term corporate placements	43,333	84,006	147,944	237,965
Senior bonds	17,627	16,610	52,875	50,945
Tier-2 subordinated bonds	50,248	50,350	156,806	151,435
Non-innovative Tier-1 stapled securities	17,685	17,798	53,915	54,252
Innovative Tier-1 capital securities	6,712	6,016	19,970	17,874
Others	2,480	3,306	7,463	8,529
	<u>754,732</u>	<u>782,680</u>	<u>2,328,550</u>	<u>2,345,645</u>

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A22 Net income from Islamic Banking business

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2014 RM'000	31/03/2013 RM'000	31/03/2014 RM'000	31/03/2013 RM'000
Group				
Income derived from investment of depositors' funds and others	206,734	212,120	631,364	622,830
of which Finance income	206,265	211,829	633,160	616,114
of which other operating income	469	291	(1,796)	6,716
Income derived from investment of shareholders' funds	19,502	19,191	70,372	63,321
of which Finance income	15,528	15,943	47,659	46,373
of which other operating income	3,974	3,248	22,713	16,948
Income attributable to depositors	(117,327)	(114,603)	(371,586)	(338,539)
	108,909	116,708	330,150	347,612

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A23 Other operating income

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2014 RM'000	31/03/2013 RM'000	31/03/2014 RM'000	31/03/2013 RM'000
Group				
(a) Fee income:				
Commissions	35,988	34,467	106,438	101,777
Service charges and fees	11,170	12,120	38,117	36,004
Guarantee fees	4,167	4,600	19,122	17,837
Credit card related fees	30,765	64,490	182,385	200,298
Corporate advisory fees	352	(25)	361	1,640
Commitment fees	9,038	8,471	27,558	25,634
Fee on loans, advances and financing	15,605	16,622	51,464	51,359
Other fee income	7,109	3,298	28,953	10,099
	<u>114,194</u>	<u>144,043</u>	<u>454,398</u>	<u>444,648</u>
(b) Gain arising from sale of financial assets:				
Net gain from sale of financial assets held-for-trading	3,036	15,137	10,680	39,363
Net gain from sale of derivative financial instruments	15,760	35,076	34,334	39,049
Net gain from sale of financial investments available-for-sale	8,409	23,846	46,725	79,696
Net gain from redemption of financial investments held-to-maturity	549	35	613	8,436
	<u>27,754</u>	<u>74,094</u>	<u>92,352</u>	<u>166,544</u>
(c) Gross dividend income from:				
Financial investments available-for-sale	18,707	13,579	48,334	40,498

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A23 Other operating income (continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2014 RM'000	31/03/2013 RM'000	31/03/2014 RM'000	31/03/2013 RM'000
(d) <u>Net unrealised (loss)/gain on revaluation of:</u>				
- Financial assets held-for-trading	2,506	(1,992)	1,349	9,357
- Derivatives financial instruments	(18,575)	(684)	530	16,728
	<u>(16,069)</u>	<u>(2,676)</u>	<u>1,879</u>	<u>26,085</u>
(e) <u>Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges</u>	<u>(2,098)</u>	<u>(6,732)</u>	<u>(6,677)</u>	<u>(22,690)</u>
(f) <u>Net unrealised gain on fair value changes arising from fair value hedges</u>	<u>-</u>	<u>1,205</u>	<u>-</u>	<u>10,588</u>
(g) <u>Other income:</u>				
Foreign exchange gain	13,555	43,534	112,247	127,346
Rental income	1,412	1,196	4,035	3,778
Gain on disposal of property and equipment (net)	336	48	504	866
Others	3,832	2,723	10,524	9,799
	<u>19,135</u>	<u>47,501</u>	<u>127,310</u>	<u>141,789</u>
Total other operating income	<u><u>161,623</u></u>	<u><u>271,014</u></u>	<u><u>717,596</u></u>	<u><u>807,462</u></u>

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A23 Other operating income (continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2014 RM'000	31/03/2013 RM'000	31/03/2014 RM'000	31/03/2013 RM'000
<u>Bank</u>				
(a) <u>Fee income:</u>				
Commissions	35,776	34,423	106,014	101,627
Service charges and fees	11,121	12,108	37,997	36,006
Guarantee fees	4,152	4,580	19,061	17,777
Credit card related fees	30,765	64,490	182,385	200,298
Corporate advisory fees	352	(25)	361	1,640
Commitment fees	9,030	8,471	27,545	25,638
Fee on loans, advances and financing	15,430	16,622	51,024	51,359
Other fee income	7,079	3,268	28,858	10,447
	<u>113,705</u>	<u>143,937</u>	<u>453,245</u>	<u>444,792</u>
(b) <u>Gain arising from sale of financial assets:</u>				
Net gain from sale of financial assets held-for-trading	3,036	15,137	10,680	39,363
Net gain from sale of derivative financial instruments	15,760	35,076	34,334	39,049
Net gain from sale of financial investments available-for-sale	4,181	23,846	32,067	79,678
Net gain from redemption of financial investments held-to-maturity	549	35	613	8,436
	<u>23,526</u>	<u>74,094</u>	<u>77,694</u>	<u>166,526</u>
(c) <u>Gross dividend income from:</u>				
Subsidiary companies	-	-	56,700	111,239
Associated company	-	-	76,859	70,361
Financial investments available-for-sale	18,707	13,579	48,334	40,498
	<u>18,707</u>	<u>13,579</u>	<u>181,893</u>	<u>222,098</u>

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A23 Other operating income (continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2014 RM'000	31/03/2013 RM'000	31/03/2014 RM'000	31/03/2013 RM'000
(d) <u>Net unrealised (loss)/gain on revaluation of:</u>				
- Financial assets held-for-trading	2,506	(1,992)	1,349	9,357
- Derivatives financial instruments	(18,575)	(684)	530	16,728
	<u>(16,069)</u>	<u>(2,676)</u>	<u>1,879</u>	<u>26,085</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>(1,656)</u>	<u>(5,925)</u>	<u>(5,075)</u>	<u>(19,856)</u>
(f) <u>Net unrealised gain on fair value changes arising from fair value hedges</u>	<u>-</u>	<u>1,205</u>	<u>-</u>	<u>10,588</u>
(g) <u>Other income:</u>				
Foreign exchange gain	13,665	43,659	112,368	126,725
Rental income	1,412	1,196	4,035	3,778
Gain on disposal of property and equipment (net)	336	48	504	866
Others	16,600	2,715	23,892	9,592
	<u>32,013</u>	<u>47,618</u>	<u>140,799</u>	<u>140,961</u>
Total other operating income	<u>170,226</u>	<u>271,832</u>	<u>850,435</u>	<u>991,194</u>

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A24 Other operating expenses

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
	<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	218,047	217,300	660,426	645,802
- Medical expenses	6,238	4,931	16,524	16,226
- Training and convention expenses	7,537	4,268	17,464	18,343
- Staff welfare	3,846	2,927	10,102	10,567
- Others	4,105	5,864	15,567	20,070
<u>Establishment costs</u>				
- Depreciation of property and equipment	27,878	27,263	82,011	78,432
- Amortisation of intangible assets	24,966	23,577	71,863	75,599
- Rental	17,975	19,128	54,804	59,354
- Information technology expenses	27,239	25,740	79,765	73,370
- Security services	7,100	5,977	23,893	20,559
- Electricity, water and sewerage	6,053	5,899	17,484	21,692
- Hire of plant and machinery	3,427	2,970	10,440	9,722
- Others	7,055	8,611	21,554	20,043
<u>Marketing expenses</u>				
- Advertisement and publicity	9,627	14,571	18,959	31,507
- Credit card related fees	28,773	13,700	71,340	45,662
- Others	5,494	3,308	13,121	10,493
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,316	3,817	9,197	11,020
- Stationery & printing	4,588	4,495	11,993	12,556
- Professional fees	17,613	28,271	56,363	64,789
- Insurance fees	6,200	5,270	20,294	13,741
- Stamp, postage and courier	5,832	5,732	14,968	17,988
- Travelling and transport expenses	1,502	1,918	4,741	5,382
- Registration and license fees	1,209	1,223	3,768	3,660
- Brokerage and commission	1,470	1,206	4,447	3,302
- Others	(36,567)	20,009	14,000	62,560
	<u>410,523</u>	<u>457,975</u>	<u>1,325,088</u>	<u>1,352,439</u>

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A24 Other operating expenses (continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2014 RM'000	31/03/2013 RM'000	31/03/2014 RM'000	31/03/2013 RM'000
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	184,028	184,926	557,547	547,531
- Medical expenses	5,275	4,131	13,933	13,615
- Training and convention expenses	6,894	3,681	15,956	16,256
- Staff welfare	3,397	2,493	8,886	8,790
- Others	3,445	4,950	13,046	16,361
<u>Establishment costs</u>				
- Depreciation of property and equipment	26,573	26,206	78,121	75,276
- Amortisation of intangible assets	23,706	22,931	68,480	73,470
- Rental	14,849	15,429	45,379	48,516
- Information technology expenses	24,987	22,472	73,251	64,327
- Security services	5,685	5,108	19,226	17,763
- Electricity, water and sewerage	5,312	5,590	15,321	20,704
- Hire of plant and machinery	3,193	2,370	9,663	8,521
- Others	2,117	4,261	6,547	5,162
<u>Marketing expenses</u>				
- Advertisement and publicity	8,826	13,059	17,016	27,098
- Credit card related fees	28,773	13,700	71,340	45,662
- Others	5,029	3,040	11,846	9,961
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,241	3,740	8,961	11,138
- Stationery & printing	4,443	4,389	11,637	12,332
- Professional fees	16,930	27,832	54,857	63,070
- Insurance fees	5,311	4,568	17,673	11,333
- Stamp, postage and courier	5,763	5,673	14,773	17,844
- Travelling and transport expenses	1,251	1,554	3,817	4,433
- Registration and license fees	1,117	1,143	3,425	3,483
- Brokerage and commission	1,231	1,049	3,859	2,976
- Others	(35,657)	21,171	17,391	64,297
	<u>355,719</u>	<u>405,466</u>	<u>1,161,951</u>	<u>1,189,919</u>

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A25 Allowance for impairment losses on loans, advances and financing

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Allowance for impairment losses on loans, advances and financing:				
- collective assessment allowance	61,977	104,782	187,860	222,919
- individual assessment allowance	20,574	(10,275)	16,348	(21,417)
Impaired loans and financing:				
- written off	4,841	4,185	16,687	14,299
- recovered	(62,231)	(57,391)	(193,132)	(202,715)
	<u>25,161</u>	<u>41,301</u>	<u>27,763</u>	<u>13,086</u>

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Allowance for impairment losses on loans, advances and financing:				
- collective assessment allowance	59,675	102,343	181,681	222,177
- individual assessment allowance	20,420	(8,952)	14,171	(20,020)
Impaired loans and financing:				
- written off	4,095	3,631	14,815	12,854
- recovered	(56,418)	(51,688)	(175,844)	(185,773)
	<u>27,772</u>	<u>45,334</u>	<u>34,823</u>	<u>29,238</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 4.00% and 5.50% respectively for year 2014. The minimum regulatory capital adequacy requirement remains at 8.00% (2013: 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 31/03/2014	Financial Year Ended 30/06/2013	Financial Period Ended 31/03/2014	Financial Year Ended 30/06/2013
Before deducting proposed dividends				
CET I capital ratio	9.757%	10.627%	9.400%	10.156%
Tier I capital ratio	11.172%	12.319%	11.019%	12.062%
Total capital ratio	<u>13.588%</u>	<u>15.179%</u>	<u>13.180%</u>	<u>13.592%</u>
After deducting proposed dividends				
CET I capital ratio	9.757%	10.236%	9.400%	9.715%
Tier I capital ratio	11.172%	11.927%	11.019%	11.621%
Total capital ratio	<u>13.588%</u>	<u>14.787%</u>	<u>13.180%</u>	<u>13.150%</u>

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A26 Capital adequacy (continued)

Basel III

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

	The Group		The Bank	
	Financial Period Ended 31/03/2014 RM'000	Financial Year Ended 30/06/2013 RM'000	Financial Period Ended 31/03/2014 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	5,928,705	6,197,372	4,743,815	4,835,280
Other reserves	3,106,006	2,699,050	2,669,680	2,360,778
Less: Treasury shares	(648,887)	(661,809)	(648,887)	(661,809)
Less: Other Intangible Assets	(368,869)	(369,415)	(355,570)	(362,855)
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)
Less : Investment in subsidiary company/ associated company/jointly controlled entity	(412,043)	-	(522,935)	-
Total CET I capital	10,485,892	10,746,178	8,826,848	9,112,139
Additional Tier I capital				
Non-innovative Tier I stapled securities	1,120,000	1,260,000	1,120,000	1,260,000
Innovative Tier I capital securities	400,000	450,000	400,000	450,000
Total additional Tier I capital	1,520,000	1,710,000	1,520,000	1,710,000
Total Tier I capital	12,005,892	12,456,178	10,346,848	10,822,139
Tier II capital				
Collective assessment allowance [^]	756,682	800,960	633,225	666,131
Subordinated bonds	3,488,000	3,924,000	3,488,000	3,924,000
Tier II capital before regulatory adjustments	4,244,682	4,724,960	4,121,225	4,590,131
Less: Regulatory adjustments				
Investment in subsidiary companies	-	-	(1,273,166)	(2,194,913)
Investment in associated company	(1,578,479)	(1,752,949)	(757,204)	(946,505)
Investment in jointly controlled entity	(69,691)	(79,945)	(61,369)	(76,711)
Total Tier II capital	2,596,512	2,892,066	2,029,486	1,372,002
Total capital	14,602,404	15,348,244	12,376,334	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 31/03/2014 RM'000	Financial Year Ended 30/06/2013 RM'000	Financial Period Ended 31/03/2014 RM'000	Financial Year Ended 30/06/2013 RM'000
Credit risk	95,868,710	91,059,541	83,681,674	80,746,066
Market risk	4,142,736	3,429,463	3,885,136	3,322,591
Operational risk	7,454,089	6,628,544	6,334,236	5,649,356
Total RWA	107,465,535	101,117,548	93,901,046	89,718,013

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

Hong Leong Islamic Bank Berhad

	Financial Period Ended 31/03/2014	Financial Year Ended 30/06/2013
Before deducting proposed dividends		
CET I capital ratio	10.345%	11.070%
Tier I capital ratio	10.345%	11.070%
Total capital ratio	<u>13.004%</u>	<u>14.153%</u>
After deducting proposed dividends		
CET I capital ratio	10.345%	10.720%
Tier I capital ratio	10.345%	10.720%
Total capital ratio	<u>13.004%</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 31/03/2014

	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	585,348	134,877	272,744	46,511	(91,215)	948,265
Inter-segment revenue	1,741	108,662	(186,989)	-	76,586	-
Segment revenue	<u>587,089</u>	<u>243,539</u>	<u>85,755</u>	<u>46,511</u>	<u>(14,629)</u>	<u>948,265</u>
Segment profit before taxation	299,275	214,090	53,886	1,156	(36,137)	532,270
Share of profit after tax of equity accounted associated company				103,985	-	103,985
Share of profit after tax of equity accounted jointly controlled entity				3,267	-	3,267
Profit before taxation						<u>639,522</u>
Taxation						<u>(139,473)</u>
Profit after taxation						<u><u>500,049</u></u>

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

Financial period ended 31/03/2014

	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	1,779,146	409,766	964,832	139,151	(260,253)	3,032,642
Inter-segment revenue	44,635	333,687	(616,046)	-	237,724	-
Segment revenue	<u>1,823,781</u>	<u>743,453</u>	<u>348,786</u>	<u>139,151</u>	<u>(22,529)</u>	<u>3,032,642</u>
Segment profit before taxation	854,473	628,313	273,753	28,024	(65,701)	1,718,862
Share of profit after tax of equity accounted associated company				276,236		276,236
Share of profit after tax of equity accounted jointly controlled entity				7,169		7,169
Profit before taxation						<u>2,002,267</u>
Taxation						<u>(437,444)</u>
Profit after taxation						<u>1,564,823</u>
Segment assets	68,494,713	28,906,899	51,884,275	8,521,442	-	157,807,329
Unallocated assets						8,210,801
Total assets						<u>166,018,130</u>

Corresponding quarter ended 31/03/2013

	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	639,504	113,697	295,498	47,637	(71,420)	1,024,916
Inter-segment revenue	(12,715)	111,230	(195,952)	-	97,437	-
Segment revenue	<u>626,789</u>	<u>224,927</u>	<u>99,546</u>	<u>47,637</u>	<u>26,017</u>	<u>1,024,916</u>
Segment profit before taxation	310,999	150,583	72,773	12,849	(21,407)	525,797
Share of profit after tax of equity accounted associated company				61,226	-	61,226
Share of profit after tax of equity accounted jointly controlled entity				895	-	895
Profit before taxation						<u>587,918</u>
Taxation						<u>(133,705)</u>
Profit after taxation						<u>454,213</u>

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

Corresponding financial period ended 31/03/2013

	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	1,870,126	328,320	949,771	143,175	(259,578)	3,031,814
Inter-segment revenue	(62,426)	351,193	(600,173)	-	311,406	-
Segment revenue	<u>1,807,700</u>	<u>679,513</u>	<u>349,598</u>	<u>143,175</u>	<u>51,828</u>	<u>3,031,814</u>
Segment profit before taxation	886,109	485,608	277,233	34,125	(11,770)	1,671,305
Share of profit after tax of equity accounted associated company				190,583		190,583
Share of profit after tax of equity accounted jointly controlled entity				1,806		1,806
Profit before taxation						<u>1,863,694</u>
Taxation						(423,856)
Profit after taxation						<u>1,439,838</u>
Segment assets	63,580,094	27,186,954	53,762,043	7,346,927		151,876,018
Unallocated assets						5,888,775
Total assets						<u>157,764,793</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 March 2014 except for the following:-

- (a) On 25 April 2014, the Bank announced that Securities Commission Malaysia had vide its letter dated 23 April 2014 approved and authorised a proposed Multi-Currency Subordinated Notes Programme of up to RM10.0 billion (or its equivalent in other currencies) in nominal value (the "Programme").

The proceeds from the Programme will be utilised for working capital, general banking and other corporate purposes, and the refinancing of any existing borrowings incurred, subordinated debt issued by the Bank and/or any existing Sub-Notes issued under the Programme.

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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 and OFB Berhad, both wholly-owned subsidiaries of the Bank, were dissolved on 28 November 2013 and 19 May 2014 respectively.
- (e) During the financial period, Promitol Sdn Bhd (formerly known as EONCAP Islamic Bank Berhad) had reduced its issued and paid-up capital from RM612,371,007 divided into 612,371,007 ordinary shares of RM1.00 each to RM2.00 divided into 2 ordinary shares of RM1.00 each by cancelling 612,371,005 ordinary shares of RM1.00 each and returning the RM612,371,005 to its ordinary shareholder via cash payment.

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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>	
	31/03/2014	30/06/2013	31/03/2014	30/06/2013
	RM'000	RM'000	RM'000	RM'000
Principal Amount				
Direct credit substitutes	417,296	282,262	415,978	280,859
Certain transaction related contingent items	1,669,452	1,629,933	1,587,671	1,559,520
Short term self liquidating trade related contingencies	815,815	891,468	802,559	845,800
Irrevocable commitments to extend credit:				
- maturity more than one year	16,987,883	14,108,639	14,196,240	11,415,226
- maturity less than one year	17,288,446	17,331,901	16,056,484	16,468,730
Foreign exchange related contracts:				
- less than one year	41,562,593	38,342,314	40,758,508	42,204,011
- one year to less than five years	4,377,896	3,649,055	4,484,340	3,682,060
- five years and above	603,933	603,465	603,933	603,465
Interest rate related contracts:				
- less than one year	32,229,346	17,140,615	32,129,346	17,040,615
- one year to less than five years	47,453,531	42,439,167	45,773,531	41,139,167
- five years and above	16,099,454	14,773,860	13,399,454	14,623,860
Equity related contracts:				
- less than one year	157,796	54,168	157,796	54,168
- one year to less than five years	233,752	-	233,752	-
Unutilised credit card lines	7,764,681	8,331,904	7,764,681	8,331,904
Total	187,661,874	159,578,751	178,364,273	158,249,385

A31 Related party transactions

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

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A32 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 March 2014			
	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	-	10,079,090	-	10,079,090
- Quoted Securities	3,519	-	-	3,519
- Unquoted Securities	-	575,509	-	575,509
Financial investments available-for-sale				
- Money market instrument	-	6,991,323	-	6,991,323
- Quoted Securities	2,066,454	-	-	2,066,454
- Unquoted Securities	-	7,520,730	330,078	7,850,808
Derivative financial instruments	7,808	802,147	-	809,955
	<u>2,077,781</u>	<u>25,968,799</u>	<u>330,078</u>	<u>28,376,658</u>
<u>Financial Liability</u>				
Derivative financial instruments	10,370	723,726	-	734,096
	<u>10,370</u>	<u>723,726</u>	<u>-</u>	<u>734,096</u>
	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
	<u>3,790</u>	<u>950,397</u>	<u>-</u>	<u>954,187</u>

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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 March 2014				
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	-	9,559,595	-	9,559,595
- Quoted Securities	3,519	-	-	3,519
- Unquoted Securities	-	544,796	-	544,796
Financial investments available-for-sale				
- Money market instrument	-	4,827,506	-	4,827,506
- Quoted Securities	2,066,454	-	-	2,066,454
- Unquoted Securities	-	6,762,854	330,011	7,092,865
Derivative financial instruments	7,808	780,976	-	788,784
	<u>2,077,781</u>	<u>22,475,727</u>	<u>330,011</u>	<u>24,883,519</u>

Financial Liability

Derivative financial instruments	10,370	701,858	-	712,228
	<u>10,370</u>	<u>701,858</u>	<u>-</u>	<u>712,228</u>

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>

Financial Liability

Derivative financial instruments	3,790	1,007,459	-	1,011,249
	<u>3,790</u>	<u>1,007,459</u>	<u>-</u>	<u>1,011,249</u>

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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	115	114
At 31 March 2014	<u>330,078</u>	<u>330,011</u>
Total gain recognised in other comprehensive income relating to assets held on 31 March 2014	<u>115</u>	<u>114</u>
	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	<u>329,963</u>	<u>329,897</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2013	<u>18,978</u>	<u>18,981</u>

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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 RM639.5 million for the current financial quarter ended 31 March 2014, an increase of RM51.6 million or 8.8% as compared to previous corresponding quarter. The increase in pre-tax profit was mainly due to lower operating expenses of RM47.5 million, lower allowance for impairment losses on loans, advances and financing of RM16.1 million, higher write back of impairment losses from securities of RM19.5 million coupled with higher share of profit from Bank of Chengdu and joint venture totaling RM45.1 million. This was however offset by lower net income of RM76.6 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 RM299.3 million for the 3rd quarter ended March 2014 as compared to previous corresponding quarter of RM311.0 million.

Personal Financial Services's loan base grew from RM63.0 billion in March 2013 to RM67.9 billion in March 2014.

Business and Corporate Banking

The Business and Corporate Banking's segment recorded a pre-tax profit of RM214.1 million for the 3rd quarter ended March 2014 as compared to previous corresponding quarter of RM150.6 million.

Business and Corporate Banking's loan base increased from RM27.1 billion in March 2013 to RM 28.8 billion in March 2014. Deposit base registered an increase from RM32.0 billion to RM34.4 billion. Higher pre-tax profit mainly due to higher total income, higher writeback of impairment losses from securities 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 RM53.9 million for the 3rd quarter ended March 2014 as compared to previous corresponding quarter of RM72.8 million.

Treasury earning assets decreased from RM51.1 billion in March 2013 to RM50.6 billion in March 2014.

International Banking

The International Banking's segment recorded a pre-tax profit of RM108.4 million for the 3rd quarter ended March 2014 as compared to previous corresponding quarter of RM75.0 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 March 2014 stood at RM2,002.3 million, an increase of RM138.6 million or 7.4% as compared to RM1,863.7 million in the previous corresponding period. The increase was due to higher net income by RM0.8 million, lower operating expenses of RM27.4 million, higher net write back of impairment losses from securities of RM34.1 million and higher share of profit from Bank of Chengdu and joint venture totaling RM91.0 million. This is however mitigated by higher allowance for impairment losses on loans, advances and financing of RM14.7 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 RM854.5 million for the financial period ended 31 March 2014 as compared to corresponding period of RM886.1 million. The decrease in pre-tax profit due to higher operating expenses and higher allowance for impairment losses on loans, advances and financing, compensated with higher total income.

Business and Corporate Banking

The Group Business and Corporate Banking's segment recorded a pre-tax profit of RM628.3 million for the financial period ended 31 March 2014 as compared to corresponding period of RM485.6 million. Higher pre-tax profit contributed by higher total income, higher writeback of impairment losses from securities 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 RM273.8 million for the financial period ended 31 March 2014 as compared to corresponding period of RM277.2 million. Lower pre-tax profit mainly contributed from lower total income and higher operating expenses.

International Banking

The International Banking's segment recorded a pre-tax profit of RM311.4 million for the financial period ended 31 March 2014 as compared to corresponding period of RM226.5 million.

B2 Current Quarter vs. Preceding Quarter

For the current financial quarter, the Group recorded a pre-tax profit of RM639.5 million as compared to RM663.4 million in the preceding quarter, a decrease of RM23.9 million arising from lower net income of RM106.7 million coupled with higher allowance for impairment losses on loans, advances and financing of RM4.6 million. This is however netted off by lower operating expenses of RM49.1 million, higher write back of impairment losses from securities of RM15.7 million coupled with higher share of profit from Bank of Chengdu and joint venture of RM22.6 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

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/3/2014	31/03/2013	31/03/2014	31/03/2013
	RM'000	RM'000	RM'000	RM'000
The Group				
Malaysian income tax	141,685	131,583	444,079	419,332
Transfer (to)/from deferred taxation	(2,212)	2,122	(6,635)	4,524
	<u>139,473</u>	<u>133,705</u>	<u>437,444</u>	<u>423,856</u>

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/3/2014	31/03/2013	31/03/2014	31/03/2013
	RM'000	RM'000	RM'000	RM'000
The Bank				
Malaysian income tax	122,600	112,046	426,148	418,116
Transfer (to)/from deferred taxation	(2,212)	2,122	(6,635)	505
	<u>120,388</u>	<u>114,168</u>	<u>419,513</u>	<u>418,621</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.

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B9 Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 March 2014:

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	31,267,420	214,520	(143,619)
(ii) 1 year to 3 years	242,903	4,862	(4,411)
Swaps			
(i) Less than 1 year	6,591,504	110,447	(57,793)
(ii) 1 year to 3 years	870,401	36,654	(27,328)
(iii) More than 3 years	3,823,887	84,952	(99,364)
Options			
(i) Less than 1 year	3,703,669	19,203	(19,735)
(ii) 1 year to 3 years	44,638	765	(751)
Interest rate related contracts			
Futures			
(i) Less than 1 year	14,947,219	236	(2,706)
(ii) 1 year to 3 years	4,838,632	547	(367)
Swaps			
(i) Less than 1 year	17,282,127	14,136	(18,709)
(ii) 1 year to 3 years	24,250,646	58,621	(69,354)
(iii) More than 3 years	34,463,707	263,033	(287,980)
Equity related contracts			
(i) Less than 1 year	157,796	1,979	(1,979)
(ii) 1 year to 3 years	95,102	-	-
(iii) More than 3 years	138,650	-	-
Total	142,718,301	809,955	(734,096)

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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 March 2014:

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	30,777,537	211,506	(142,997)
(ii) 1 year to 3 years	349,347	3,306	(2,913)
Swaps			
(i) Less than 1 year	6,277,302	106,607	(55,093)
(ii) 1 year to 3 years	870,401	36,654	(27,328)
(iii) More than 3 years	3,823,887	84,952	(99,364)
Options			
(i) Less than 1 year	3,703,669	19,203	(19,735)
(ii) 1 year to 3 years	44,638	765	(751)
Interest rate related contracts			
Futures			
(i) Less than 1 year	14,947,219	236	(2,706)
(ii) 1 year to 3 years	4,838,632	547	(367)
Swaps			
(i) Less than 1 year	17,182,127	14,136	(18,579)
(ii) 1 year to 3 years	22,570,646	57,472	(67,787)
(iii) More than 3 years	31,763,707	251,421	(272,629)
Equity related contracts			
(i) Less than 1 year	157,796	1,979	(1,979)
(ii) 1 year to 3 years	95,102	-	-
(iii) More than 3 years	138,650	-	-
Total	137,540,660	788,784	(712,228)

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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 RM2,855,388,014 (FYE June 2013: RM1,306,394,187) and RM76,657,978,242 (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 RM908,943,286 (FYE June 2013: RM907,598,806). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Derivatives

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

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

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

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

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B9 Off-balance sheet financial instruments (continued)

Credit risk (continued)

Derivatives (continued)

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

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

Liquidity risk

Derivatives

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

Related accounting policies

Derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from a change in the fair value of the derivatives is recognised in the statements of income unless they are part of a hedging relationship which qualifies for hedge accounting where the gain or loss is recognised as follows:

Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the statements of income. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the statements of income.

Cash flow hedge

Gains and losses on the hedging instrument, to the extent that the hedge is effective, are deferred in the separate component of equity. The ineffective part of any gain or loss is recognised in the statements of income. The deferred gains and losses are then released to the statements of income in the periods when the hedged items affects the statements of income.

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B10 Material litigation

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

B11 Dividend

No interim dividend has been proposed for the current quarter.

For financial period ended 31 March 2014, a total single tier dividend of 15.0 sen per share has been paid (2012/2013 : 15.0 sen per share less tax at 25%).

B12 Realised and Unrealised Profits

	The Group	
	Financial Period Ended 31/03/2014	Financial Year Ended 30/06/2013
	RM'000	RM'000
Total retained profits of Hong Leong Bank Berhad and it's subsidiaries		
- Realised	4,839,689	4,233,197
- Unrealised	774,871	937,705
	5,614,560	5,170,902
Total share of retained profits from associated company		
- Realised	1,211,230	934,994
Total share of retained profits from jointly controlled entity		
- Realised	10,403	3,234
	6,836,193	6,109,130
Less: Consolidation Adjustment	(112,468)	88,242
Total Group's Retained Profit	6,723,725	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.

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/3/2014 RM'000	31/03/2013 RM'000	31/03/2014 RM'000	31/03/2013 RM'000
<u>The Group</u>				
Net profit attributable to shareholders of the company	500,049	454,213	1,564,823	1,439,838
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	(119,134)	(126,381)	(119,134)	(126,381)
	<u>1,760,775</u>	<u>1,753,528</u>	<u>1,760,775</u>	<u>1,753,528</u>
Basic earnings per share (sen)	28.4	25.9	88.9	82.1
<u>The Bank</u>				
Net profit attributable to shareholders of the company	351,297	333,213	1,221,844	1,202,163
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	(119,134)	(126,381)	(119,134)	(126,381)
	<u>1,760,775</u>	<u>1,753,528</u>	<u>1,760,775</u>	<u>1,753,528</u>
Basic earnings per share (sen)	20.0	19.0	69.4	68.6

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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.

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/3/2014 RM'000	31/03/2013 RM'000	31/03/2014 RM'000	31/03/2013 RM'000
<u>The Group</u>				
Net profit attributable to shareholders of the company	500,049	454,213	1,564,823	1,439,838
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,760,775	1,753,528	1,760,775	1,753,528
- adjustment for ESOS	680	3,800	680	3,800
	<u>1,761,455</u>	<u>1,757,328</u>	<u>1,761,455</u>	<u>1,757,328</u>
Fully diluted earnings per share (sen)	28.4	25.8	88.8	81.9
<u>The Bank</u>				
Net profit attributable to shareholders of the company	351,297	333,213	1,221,844	1,202,163
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,760,775	1,753,528	1,760,775	1,753,528
- adjustment for ESOS	680	3,800	680	3,800
	<u>1,761,455</u>	<u>1,757,328</u>	<u>1,761,455</u>	<u>1,757,328</u>
Fully diluted earnings per share (sen)	19.9	19.0	69.4	68.4