

THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

If you have sold or transferred all your shares in Hong Leong Bank Berhad ("HLB" or the "Bank"), you should at once hand this Abridged Prospectus together with the Notice of Provisional Allotment ("NPA") and the Rights Subscription Form ("RSF") (collectively referred to as the "Documents") to the agent/ broker through whom you effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Rights Issue (as defined herein) should be addressed to our Share Registrar, Hong Leong Share Registration Services Sdn Bhd at Level 5, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur.

The Documents are only despatched to our shareholders whose names appear in our Record of Depositors as at 5.00 p.m. on 27 November 2015 ("Entitlement Date") ("Entitled Shareholders") who have a registered address in Malaysia or who have provided our Share Registrar with an address in Malaysia for the despatch of the Documents by the Entitlement Date. The Documents are not intended to be (and will not be) issued, circulated or distributed, and the Rights Issue is not intended to be (and will not be) made or offered or deemed to be made or offered for purchase or subscription, in any country or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. No action has been or will be taken to ensure that the Rights Issue complies with the laws of any country or jurisdiction other than the laws of Malaysia. The Rights Issue to which the Documents relate is only available to the persons receiving the Documents within Malaysia. Accordingly, the Documents will not be despatched to the Entitled Shareholders who do not have a registered address in Malaysia or who have not provided our Share Registrar with an address in Malaysia for the despatch of the Documents by the Entitlement Date. Persons receiving the Documents (including without limitation, custodians, nominees and trustees), must not, in connection with the Rights Issue, distribute or send the Documents outside of Malaysia. It shall be the sole responsibility of the Entitled Shareholders who are or may be subject to the laws of country or jurisdiction other than Malaysia to consult their legal advisers and/ or other professional advisers as to whether the acceptance/ renunciation in any manner whatsoever of the Rights Issue would result in the contravention of any law of such country or jurisdiction. The Documents do not constitute an offer, solicitation or invitation to subscribe for the Rights Issue in any country or jurisdiction other than Malaysia or to any person to whom it would be unlawful to make such an offer, solicitation or invitation. Neither our Bank, our Directors, Hong Leong Investment Bank Berhad ("HLIB") nor any other advisers for the Rights Issue shall accept any responsibility or liability in the event that any acceptance or sale/ transfer of the provisional allotment of the Rights Shares (as defined herein) made by the Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in any such country or jurisdiction.

A copy of this Abridged Prospectus has been registered with the Securities Commission Malaysia ("SC"). The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of the Documents has also been lodged with the Registrar of Companies who takes no responsibility for their contents.

Approval for the Rights Issue has been obtained from our shareholders at our Extraordinary General Meeting held on 29 September 2015. Approval has been obtained from Bursa Malaysia Securities Berhad ("Bursa Securities") via its letter dated 10 September 2015 for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities.

Approval from Bursa Securities for the listing of and quotation for the Rights Shares is in no way reflective of the merits of the Rights Issue. Neither Bursa Securities nor the SC takes any responsibility for the correctness of statements made or opinions expressed herein. The listing of and quotation for the Rights Shares will commence after, amongst others, receipt of confirmation from Bursa Malaysia Depository Sdn Bhd that all the Central Depository System accounts of the Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) have been duly credited with the Rights Shares allotted to them and notices of allotment have been despatched to them.

Our Board of Directors ("Board") has seen and approved the Documents. Our Board collectively and individually accepts full responsibility for the accuracy of the information given and confirms that, after having made all reasonable inquiries and to the best of our Board's knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in the Documents false or misleading.

HLIB, being the Principal Adviser for the Rights Issue, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue.

FOR INFORMATION CONCERNING RISK FACTORS WHICH YOU SHOULD CONSIDER, PLEASE REFER TO THE "RISK FACTORS" AS SET OUT IN SECTION 6 OF THIS ABRIDGED PROSPECTUS.



(Incorporated in Malaysia under the Companies Act 1965)

RENOUNCEABLE RIGHTS ISSUE OF 287,809,184 NEW ORDINARY SHARES OF RM1.00 EACH IN HLB ("HLB SHARES") ("RIGHTS SHARES") ON THE BASIS OF 4 RIGHTS SHARES FOR EVERY 25 EXISTING HLB SHARES HELD AS AT 5.00 P.M. ON 27 NOVEMBER 2015, AT AN ISSUE PRICE OF RM10.40 PER RIGHTS SHARE

Principal Adviser, Lead Arranger, Joint Global Coordinator, Lead Underwriter and Joint Underwriter



Hong Leong Investment Bank Berhad (10209-W)

(A Participating Organisation of Bursa Malaysia Securities Berhad)
(A Trading Participant of Bursa Malaysia Derivatives Berhad)

Joint Global Coordinators and Joint Underwriters

**CIMB Investment Bank Berhad (18417-M)
UBS Securities Malaysia Sdn Bhd (253825-X)**

Joint Underwriters

**Maybank Investment Bank Berhad (15938-H)
Public Investment Bank Berhad (20027-W)**

IMPORTANT RELEVANT DATES AND TIMES:

Entitlement Date : Friday, 27 November 2015 at 5.00 p.m.

Last date and time for:

Sale of provisional allotment of Rights Shares : Friday, 4 December 2015 at 5.00 p.m.

Transfer of provisional allotment of Rights Shares : Wednesday, 9 December 2015 at 4.00 p.m.

Acceptance and payment : Monday, 14 December 2015 at 5.00 p.m.*

Excess application and payment : Monday, 14 December 2015 at 5.00 p.m.*

* or such later date and time as our Board may decide and announce not less than 2 Market Days (as defined in this Abridged Prospectus) before the stipulated date and time.

This Abridged Prospectus is dated 27 November 2015

ALL TERMS USED ARE AS DEFINED IN THE "DEFINITIONS" PAGE OF THIS ABRIDGED PROSPECTUS.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE RIGHTS ISSUE AND ANY INVESTMENT IN OUR BANK. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

THE DISTRIBUTION OF THE DOCUMENTS (BEING THIS ABRIDGED PROSPECTUS, THE NPA AND THE RSF, COLLECTIVELY) IS SUBJECT TO MALAYSIAN LAWS. OUR BANK, OUR DIRECTORS, HLIB AND/ OR ANY OTHER ADVISERS FOR THE RIGHTS ISSUE ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. OUR BANK AND OUR ADVISERS HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF OUR SECURITIES BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY OUR SECURITIES IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA. OUR BANK AND OUR PRINCIPAL ADVISER REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.

THE DOCUMENTS HAVE BEEN PREPARED AND PUBLISHED SOLELY FOR THE RIGHTS ISSUE UNDER THE LAWS OF MALAYSIA. OUR BANK AND OUR PRINCIPAL ADVISER HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THE DOCUMENTS.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE AND MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, INCLUDING, *INTER-ALIA*, OUR DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Abridged Prospectus:

“Abridged Prospectus”	:	This abridged prospectus dated 27 November 2015 issued by our Bank in relation to the Rights Issue
“Act”	:	Companies Act 1965
“BNM”	:	Bank Negara Malaysia
“Board”	:	Board of Directors
“Bursa Depository”	:	Bursa Malaysia Depository Sdn Bhd
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“CA Framework”	:	Capital Adequacy Framework (Capital Components) issued by BNM
“CAR”	:	Capital adequacy ratio
“CDS”	:	Central Depository System, the system established and operated by Bursa Depository for the handling of securities deposited with Bursa Depository
“CDS Accounts”	:	Securities accounts established by Bursa Depository for a depositor for the recording of deposits and dealings in such securities by the depositor
“CET 1”	:	Common Equity Tier 1
“CMSA”	:	Capital Markets and Services Act 2007
“Directors”	:	Shall have the same meaning given in Section 2(1) of the CMSA
“Documents”	:	Abridged Prospectus, NPA and RSF, collectively
“EGM”	:	Extraordinary general meeting
“Entitled Shareholders”	:	Shareholders of our Bank whose name(s) appear in our Bank’s Record of Depositors on the Entitlement Date and are entitled to the Rights Issue
“Entitlement Date”	:	27 November 2015 at 5.00 p.m., being the date and time on which the names of our Bank’s shareholders must appear in our Bank’s Record of Depositors in order to be entitled to the Rights Issue
“EPS”	:	Earnings per share
“ESOS”	:	Executive share option scheme
“ESOS 2006/2016”	:	ESOS of our Bank, which was established on 23 January 2006 and will expire on 22 January 2016
“ESS”	:	Executive share scheme of our Bank which comprises an ESOS established on 12 March 2013 and an executive share grant scheme established on 28 February 2014, both of which will expire on 11 March 2023

DEFINITIONS (Cont'd)

“Excess Rights Shares”	:	Rights Shares which the Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) are entitled to take up but are not taken up or not validly taken up by such persons
“Foreign Addressed Shareholders”	:	Entitled Shareholders who have not provided an address in Malaysia for the service of the Documents to be issued for purposes of the Rights Issue
“FPE”	:	Financial period ended/ ending, as the case may be
“FSA”	:	Financial Services Act 2013
“FYE”	:	Financial year ended/ ending, as the case may be
“HLB” or “Bank”	:	Hong Leong Bank Berhad
“HLB Group” or “Group”	:	Our Bank and our subsidiaries, collectively
“HLB Shares”	:	Ordinary shares of RM1.00 each in our Bank
“HLE”	:	Hong Leong Equities Sdn Bhd
“HLFG”	:	Hong Leong Financial Group Berhad
“HLIB” or “Principal Adviser” or “Lead Arranger” or “Joint Global Coordinator” or “Lead Underwriter” or “Joint Underwriter”	:	Hong Leong Investment Bank Berhad
“Joint Global Coordinators”	:	HLIB, CIMB Investment Bank Berhad and UBS Securities Malaysia Sdn Bhd, collectively
“Joint Underwriters”	:	HLIB, CIMB Investment Bank Berhad, Maybank Investment Bank Berhad, Public Investment Bank Berhad and UBS Securities Malaysia Sdn Bhd, collectively
“LCR”	:	Liquidity coverage ratio
“LPD”	:	31 October 2015, being the latest practicable date prior to the printing of this Abridged Prospectus
“Management and Underwriting Agreement”	:	Management and underwriting agreement dated 23 October 2015, entered into between our Bank, the Lead Underwriter, the Joint Global Coordinators and the Joint Underwriters in relation to the Rights Issue
“Market Day”	:	Any day on which Bursa Securities is open for trading of securities
“NA”	:	Net assets attributable to our shareholders
“NPA”	:	Notice of provisional allotment issued pursuant to the Rights Issue
“PAT”	:	Profit after taxation
“PBT”	:	Profit before taxation

DEFINITIONS (Cont'd)

“Price-Fixing Date”	:	23 October 2015, being the date on which the issue price of the Rights Shares was determined and announced by our Bank
“Provisional Rights Shares”	:	Rights Shares provisionally allotted to the Entitled Shareholders
“Record of Depositors”	:	A record of depositors provided by Bursa Depository to our Bank under Chapter 24.0 of the Rules of Bursa Depository
“Rights Issue”	:	Renounceable rights issue of 287,809,184 Rights Shares on the basis of 4 Rights Shares for every 25 existing HLB Shares held on the Entitlement Date at an issue price of RM10.40 per Rights Share
“Rights Shares”	:	287,809,184 new HLB Shares to be issued pursuant to the Rights Issue
“RM” and “sen”	:	Ringgit Malaysia and sen respectively
“RMB”	:	Chinese Renminbi, the lawful currency of the People’s Republic of China
“RSF”	:	Rights subscription form issued pursuant to the Rights Issue
“Rules of Bursa Depository”	:	Rules of Bursa Depository as issued pursuant to the SICDA
“SC”	:	Securities Commission Malaysia
“Share Registrar”	:	Hong Leong Share Registration Services Sdn Bhd
“SICDA”	:	Securities Industry (Central Depositories) Act 1991
“Substantial Shareholders”	:	Shall have the meaning given in Section 69D of the Act
“TERP”	:	Theoretical ex-rights price
“Treasury Shares”	:	HLB Shares that are held by our Bank as treasury shares in accordance with Section 67A of the Act
“U.S.”	:	United States of America
“Undertakings”	:	Irrevocable undertakings from our shareholders, namely HLFG and HLE, to subscribe and/ or procure the subscription in full for their respective entitlements to the Rights Shares under the Rights Issue
“USD”	:	U.S. Dollars, the lawful currency of the U.S.
“VWAMP”	:	Volume-weighted average market price

All references to “**our Bank**” in this Abridged Prospectus are to HLB, references to “**our Group**” are to our Bank and our subsidiaries, collectively, and references to “**we**”, “**us**”, “**our**” and “**ourselves**” are to our Bank, and save where the context requires, shall include our subsidiaries.

All references to “you” in this Abridged Prospectus are references to the Entitled Shareholders. Words referring to the singular shall, where applicable, include the plural and *vice versa*, and words referring to the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. Any reference to persons shall include a corporation, unless otherwise specified.

DEFINITIONS (Cont'd)

Any reference in this Abridged Prospectus to any legislation is a reference to that legislation as for the time being amended or re-enacted.

Any reference to a time of a day in this Abridged Prospectus shall be a reference to Malaysian time, unless otherwise specified.

Any discrepancy in the tables included in this Abridged Prospectus between the amounts listed, actual figures and the totals thereof are due to rounding.

Certain statements in this Abridged Prospectus may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Abridged Prospectus should not be regarded as a representation or warranty that our Bank's plans and objectives will be achieved.

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CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name/ (Designation)	Address	Age	Profession	Nationality
YBhg Tan Sri Quek Leng Chan (Chairman; Non-Executive/ Non-Independent)	Level 28, 3 KiaPeng No. 3, Jalan Kia Peng 50450 Kuala Lumpur	72	Company Director	Malaysian
Mr Tan Kong Khoon (Group Managing Director/ Chief Executive Officer/ Non- Independent)	No. 38 Jalan Mambu Bukit Bandaraya Bangsar 59100 Kuala Lumpur	58	Group Managing Director/ Chief Executive Officer	Singaporean
Mr Kwek Leng Hai (Non-Executive Director/ Non- Independent)	28A, Middle Gap Road Hong Kong	62	Company Director	Singaporean
Mr Quek Kon Sean (Non-Executive Director/ Non- Independent)	Level 28, 3 KiaPeng No. 3, Jalan Kia Peng 50450 Kuala Lumpur	35	Company Director	Malaysian
Ms Lim Lean See (Non-Executive Director/ Independent)	15, Jalan SS2/73 47300 Petaling Jaya Selangor Darul Ehsan	62	Company Director	Malaysian
YBhg Tan Sri A. Razak bin Ramli (Non-Executive Director/ Independent)	No. 15, Jalan SS3/94 Kelana Jaya 47300 Petaling Jaya Selangor Darul Ehsan	67	Company Director	Malaysian
Ms Chok Kwee Bee (Non-Executive Director/ Independent)	8B4-7, Prima Damansara 8, Jalan Chempenai 50490 Kuala Lumpur	63	Company Director	Malaysian
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah (Non-Executive Director/ Independent)	No. 3, Jalan Ukay 2 Ukay Heights 68000 Ampang Selangor Darul Ehsan	63	Company Director	British
YBhg Datuk Wira Azhar bin Abdul Hamid (Non-Executive Director/ Independent)	C1-01, Kenny Hill Residence 15, Jalan Tun Ismail Bukit Tunku 50480 Kuala Lumpur	54	Company Director	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Ms Lim Lean See	Chairman	Independent Non-Executive Director
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	Member	Independent Non-Executive Director
YBhg Datuk Wira Azhar bin Abdul Hamid	Member	Independent Non-Executive Director

CORPORATE DIRECTORY (Cont'd)

- COMPANY SECRETARY** : Ms Christine Moh Suat Moi (MAICSA 7005095)
Level 8, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
- REGISTERED/ HEAD/
MANAGEMENT OFFICE** : Level 8, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel. no.: 603-2164 8228
Fax no.: 603-2164 2503
Website: www.hlb.com.my
- AUDITORS/ REPORTING
ACCOUNTANTS** : PricewaterhouseCoopers (AF 1146)
Chartered Accountants
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
50470 Kuala Lumpur
Tel. no.: 603-2173 1188
Fax no.: 603-2173 1288
- SOLICITORS FOR THE
RIGHTS ISSUE** : Adnan Sundra & Low
Level 11, Menara Olympia
No. 8, Jalan Raja Chulan
50200 Kuala Lumpur
Tel. no.: 603-2070 0466
Fax no.: 603-2078 3382
- SHARE REGISTRAR** : Hong Leong Share Registration Services Sdn Bhd
Level 5, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel. no.: 603-2164 1818
Fax no.: 603-2164 3703
- PRINCIPAL ADVISER, LEAD
ARRANGER, JOINT GLOBAL
COORDINATOR, LEAD
UNDERWRITER AND JOINT
UNDERWRITER FOR THE
RIGHTS ISSUE** : Hong Leong Investment Bank Berhad
Level 23, Menara HLA
No. 3, Jalan Kia Peng
50450 Kuala Lumpur
Tel. no.: 603-2168 1168
Fax no.: 603-2164 8880
- JOINT GLOBAL
COORDINATORS FOR THE
RIGHTS ISSUE** : CIMB Investment Bank Berhad
17th Floor, Menara CIMB
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur
Tel. no.: 603-2261 8888
Fax no.: 603-2261 8889
- UBS Securities Malaysia Sdn Bhd
Level 7, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel. no.: 603-2781 1100
Fax no.: 603-2711 2817

CORPORATE DIRECTORY (Cont'd)

JOINT UNDERWRITERS FOR THE RIGHTS ISSUE : CIMB Investment Bank Berhad
17th Floor, Menara CIMB
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur
Tel. no.: 603-2261 8888
Fax no.: 603-2261 8889

Maybank Investment Bank Berhad
Level 8, Tower C, Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur
Tel. no.: 603-2297 8888
Fax no.: 603-2282 5136

Public Investment Bank Berhad
25th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur
Tel. no.: 603-2166 9382
Fax no.: 603-2166 9386

UBS Securities Malaysia Sdn Bhd
Level 7, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel. no.: 603-2781 1100
Fax no.: 603-2711 2817

STOCK EXCHANGE LISTED AND LISTING SOUGHT : Main Market of Bursa Securities

Registered Office:

Level 8, Wisma Hong Leong
 18 Jalan Perak
 50450 Kuala Lumpur

27 November 2015

Board of Directors:

YBhg Tan Sri Quek Leng Chan (*Chairman; Non-Executive/ Non-Independent*)
 Mr Tan Kong Khoon (*Group Managing Director/ Chief Executive Officer/ Non-Independent*)
 Mr Kwek Leng Hai (*Non-Executive Director/ Non-Independent*)
 Mr Quek Kon Sean (*Non-Executive Director/ Non-Independent*)
 Ms Lim Lean See (*Non-Executive Director/ Independent*)
 YBhg Tan Sri A. Razak bin Ramli (*Non-Executive Director/ Independent*)
 Ms Chok Kwee Bee (*Non-Executive Director/ Independent*)
 YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah (*Non-Executive Director/ Independent*)
 YBhg Datuk Wira Azhar bin Abdul Hamid (*Non-Executive Director/ Independent*)

To: The Entitled Shareholders

Dear Sir/ Madam,

RENOUNCEABLE RIGHTS ISSUE OF 287,809,184 RIGHTS SHARES ON THE BASIS OF 4 RIGHTS SHARES FOR EVERY 25 EXISTING HLB SHARES HELD ON THE ENTITLEMENT DATE, AT AN ISSUE PRICE OF RM10.40 PER RIGHTS SHARE

1. INTRODUCTION

On 12 August 2015, HLIB announced, on behalf of our Bank, that we proposed to undertake the Rights Issue. The increase in the issued and paid-up share capital of our Bank pursuant to the Rights Issue has been approved by BNM via its letter dated 10 August 2015.

On 10 September 2015, HLIB announced, on behalf of our Bank, that Bursa Securities had, via its letter on the same date, granted its approval for the listing of and quotation for up to 399,800,000 Rights Shares on the Main Market of Bursa Securities. The approval granted by Bursa Securities is subject to, amongst others, the following conditions:

Conditions imposed	Status of compliance
(i) Our Bank and HLIB must fully comply with the relevant provisions under the Main Market Listing Requirements of Bursa Securities pertaining to the implementation of the Rights Issue;	Noted.
(ii) Our Bank and HLIB to inform Bursa Securities and make an immediate announcement on the issue price, discount of the issue price, entitlement basis, number of Rights Shares to be issued and the gross proceeds to be raised once they have been decided;	Complied.
(iii) Our Bank and HLIB to inform Bursa Securities upon the completion of the Rights Issue;	To be complied.

Conditions imposed (<i>Cont'd</i>)	Status of compliance
(iv) Our Bank and HLIB to furnish Bursa Securities with a certified true copy of the resolution passed by our shareholders approving the Rights Issue prior to the listing of and quotation for the Rights Shares;	Complied.
(v) Our Bank to furnish Bursa Securities with a cheque drawn to the order of Bursa Securities for the additional listing fee and processing fee (in excess of the minimum fees paid) together with a copy of the details of the computation of the amount of fees payable, once the number of Rights Shares to be issued is determined; and	Complied.
(vi) Our Bank to furnish Bursa Securities with a written confirmation of our compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue is completed.	To be complied.

Subsequently, our shareholders had, at our EGM held on 29 September 2015, approved the Rights Issue. A certified true extract of the ordinary resolution approving the Rights Issue at the said EGM is attached as Appendix I of this Abridged Prospectus.

On 23 October 2015, HLIB announced, on behalf of our Board, the following:

- (i) the issue price of the Rights Shares has been fixed at RM10.40 each and the entitlement basis has been fixed at 4 Rights Shares for every 25 existing HLB Shares held by the Entitled Shareholders; and
- (ii) our Bank has entered into the Management and Underwriting Agreement with the Lead Underwriter, the Joint Global Coordinators and the Joint Underwriters.

On 13 November 2015, HLIB announced, on behalf of our Board, that the Entitlement Date for the Rights Issue has been fixed at 5.00 p.m. on 27 November 2015.

The official listing of and quotation for the Rights Shares to be issued will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS Accounts of the Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) have been duly credited with the Rights Shares allotted to them and notices of allotment have been despatched to them.

No person is authorised to give any information or to make any representation not contained in the Documents and if given or made, such information or representation must not be relied upon as having been authorised by our Bank or HLIB in connection with the Rights Issue.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE RIGHTS ISSUE

2.1 Background

In accordance with the terms of the Rights Issue as approved by the relevant authorities as well as our shareholders and subject to the terms of the Documents, our Bank will provisionally allot 287,809,184 Rights Shares to the Entitled Shareholders, on the basis of 4 Rights Shares for every 25 existing HLB Shares held on the Entitlement Date, at an issue price of RM10.40 per Rights Share.

The Rights Issue will raise gross proceeds of approximately RM3.0 billion.

Shareholders whose names appear in our Record of Depositors as at the Entitlement Date are entitled to participate in the Rights Issue. However, only the Entitled Shareholders who have an address in Malaysia as stated in our Record of Depositors will receive the Documents.

The Rights Issue is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe for and/ or renounce and/ or transfer their entitlements to the Rights Shares in full or in part. Any Rights Shares which are not subscribed or validly subscribed by the Entitled Shareholders shall be made available for excess applications by the other Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable). It is the intention of our Board to allocate the Excess Rights Shares, if any, in the manner as set out in Section 10.4 of this Abridged Prospectus.

Any fractional entitlements arising under the Rights Issue will be disregarded and will be dealt with in such manner as our Board in its absolute discretion deems fit or expedient and in the best interest of our Bank.

Any dealing in the Rights Shares, which are prescribed securities under the CDS, will be subject to the provision of the SICDA and the Rules of Bursa Depository. Accordingly, upon allotment and issue by our Bank, the Rights Shares will be credited directly into the respective CDS Accounts of the Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) who have successfully subscribed for such Rights Shares. No physical certificate will be issued to the Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable).

As an Entitled Shareholder, you will find enclosed with this Abridged Prospectus, a NPA setting out the number of Provisional Rights Shares for which you are entitled to subscribe for and a RSF which is to be used for the acceptance of the Provisional Rights Shares and for the application for Excess Rights Shares, should you wish to do so.

2.2 Basis of determining the issue price of the Rights Shares

The issue price of RM10.40 per Rights Share was determined by our Board after taking into consideration, amongst others, the following:

- (i) the issued and paid-up share capital of our Bank as at the Entitlement Date;
- (ii) the prevailing market conditions including the state of the capital markets within Malaysia at the point of price-fixing; and
- (iii) the resultant TERP, calculated based on the 5-day VWAMP of RM14.20 per HLB Share up to and including 22 October 2015, being the last Market Day immediately preceding the Price-Fixing Date and after adjusting for the final single-tier dividend per HLB Share of 26 sen, which was paid on 18 November 2015.

The issue price of RM10.40 per Rights Share represents a discount of approximately RM3.05 or 22.7% to the TERP of HLB Shares of RM13.45, calculated based on the 5-day VWAMP of RM14.20 per HLB Share up to and including 22 October 2015, being the last Market Day immediately preceding the Price-Fixing Date and after adjusting for the final single-tier dividend per HLB Share of 26 sen, which was paid on 18 November 2015.

2.3 Ranking of the Rights Shares

The Rights Shares shall, upon allotment and issue, rank *pari passu* in all respects with the then existing HLB Shares in issue, save and except that the Rights Shares shall not be entitled to any dividends, rights, allotments and/ or other distributions, in respect of which the entitlement date is prior to the date of allotment of the Rights Shares.

3. SHAREHOLDERS' UNDERTAKINGS AND UNDERWRITING ARRANGEMENT

3.1 Shareholders' undertakings

The Rights Issue is undertaken on a full subscription basis.

In this respect, our Bank had on 14 July 2015 procured the Undertakings from our shareholders, namely HFLG and HLE, to subscribe and/ or procure the subscription in full for their respective entitlements to the Rights Shares, the allocation of which shall be in proportion to their respective shareholdings in our Bank as at the Entitlement Date.

The shareholdings of HFLG and HLE in our Bank as at the LPD and the number of their respective full entitlements to the Rights Shares are illustrated below:

	Shareholdings as at the LPD		Entitlements under the Rights Issue	
	No. of HLB Shares held	%	No. of Rights Shares	⁽¹⁾ %
HFLG	1,143,931,005	63.6	183,028,960	63.6
HLE	11,360,100	0.6	1,817,616	0.6
Total	1,155,291,105	64.2	184,846,576	64.2

Note:

(1) Computed based on the total of 287,809,184 Rights Shares to be issued pursuant to the Rights Issue.

HFLG and HLE have confirmed, and HLIB has verified, that they have adequate and sufficient financial means and resources to subscribe in full for their respective entitlements to the Rights Shares pursuant to their respective Undertakings and to make payment in full upon such subscription.

The subscription by HFLG and HLE via their respective Undertakings are not expected to give rise to any implications under the Malaysian Code on Take-Overs and Mergers 2010 as the Rights Issue is being undertaken on a full subscription basis and the remaining Rights Shares have been fully underwritten by the Joint Underwriters.

3.2 Underwriting arrangement

On 23 October 2015, our Bank entered into the Management and Underwriting Agreement for the Joint Underwriters to underwrite the remaining 102,962,608 Rights Shares ("Underwritten Shares") for which no shareholders' undertakings had been obtained, representing approximately 35.8% of the Rights Shares, subject to the terms and conditions of the Management and Underwriting Agreement and in the following proportions:

Joint Underwriters	No. of Underwritten Shares	Value of the Underwritten Shares (RM)	Percentage of total Underwritten Shares (%)
HLIB	54,886,608	570,820,723.20	53.3
CIMB Investment Bank Berhad	14,423,000	149,999,200.00	14.0
Maybank Investment Bank Berhad	14,423,000	149,999,200.00	14.0
Public Investment Bank Berhad	4,807,000	49,992,800.00	4.7
UBS Securities Malaysia Sdn Bhd	14,423,000	149,999,200.00	14.0
Total	102,962,608	1,070,811,123.20	100.0

The underwriting commission of the Joint Underwriters is 0.45% (“**Underwriting Commission**”) of the total value of the Underwritten Shares computed based on the issue price of RM10.40 per Rights Share. The Underwriting Commission and all relevant costs in relation to the underwriting arrangement will be borne by our Bank.

4. UTILISATION OF PROCEEDS

The Rights Issue is expected to raise gross proceeds of approximately RM2,993.2 million. The gross proceeds to be raised from the Rights Issue are expected to be utilised in the following manner:

Details of utilisation	Note	Amount (RM million)	Estimated timeframe for utilisation of proceeds from the date of listing of the Rights Shares
Working capital purposes	(1)	2,986.2	Within 12 months
Defrayment of estimated expenses in relation to the Rights Issue	(2)	7.0	Within 1 month
Total		2,993.2	

Notes:

- (1) The amount allocated will be used for our Group’s financing and investing activities such as investing in Government securities, treasury bills, money market and non-money market instruments (including private debt securities, bonds and wholesale funds) as well as for purposes of defraying operating expenses incurred in the course of day-to-day business operations. The exact proceeds to be utilised for each component have not been determined at this juncture as it would depend on the operating requirements of our Group at the time of utilisation.
- (2) The estimated expenses in relation to the Rights Issue of approximately RM7.0 million comprise professional fees, underwriting fees, fees payable to the relevant authorities and other miscellaneous expenses. Any surplus or shortfall from the expenses incurred for the Rights Issue will be correspondingly adjusted to/ from the portion allocated for working capital and general banking purposes.

Pending the utilisation of the proceeds by our Bank, the proceeds will be placed in interest-bearing deposit accounts as our Board may deem fit.

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5. RATIONALE FOR THE RIGHTS ISSUE

The Rights Issue is undertaken as part of our Bank's capital management strategy to further strengthen our capital position to support the continuous business growth of our Group through, amongst others, general banking, financing and investing activities, such as branch expansion, new business initiatives and loan growth.

The Rights Issue will also facilitate the build-up of an adequate level of capital buffer in preparation for the forthcoming regulatory capital requirements. Please refer to Section 6.1.8 of this Abridged Prospectus for further details on the requirements under the CA Framework (which includes (i) the existing framework issued on 28 November 2012 and (ii) the new framework issued on 13 October 2015 which will supersede the existing framework when it comes into effect on 1 January 2016).

As at 30 June 2015 (being the date of our latest available audited consolidated financial statements), our Group's CET 1 capital ratio, Tier 1 capital ratio and Total capital ratio, after deducting proposed dividends, stood at 10.8%, 11.9% and 14.3% respectively. With the gross proceeds of approximately RM2,993.2 million from the Rights Issue, our Group's CET 1 capital ratio, Tier 1 capital ratio and Total capital ratio, after deducting proposed dividends, will improve to 13.3%, 14.5% and 16.9% respectively upon completion of the Rights Issue.

Further, the Rights Issue will also provide the Entitled Shareholders with an opportunity to increase their equity participation in our Bank on a pro-rata basis, which is at a discount to the prevailing market price of HLB Shares.

Based on the above and after due consideration of the various options available to our Bank, our Board is of the view that the Rights Issue is the most appropriate avenue of fund raising for our Bank at this juncture.

6. RISK FACTORS

In addition to the other information contained in this Abridged Prospectus, you should carefully consider the following key risk factors before subscribing for or investing in the Rights Issue.

6.1 Risks relating to our Group

6.1.1 Political and economic factors

Political and economic conditions and developments in Malaysia as well as abroad could have an impact on the financial performance of our Group. Adverse political and economic conditions or developments, such as an unstable political environment, severe fluctuation in interest and currency exchange rates, could create uncertainties and discourage a free flow of investment capital and affect international trade, ultimately resulting in adverse developments in national economic activity. This in turn may have a material impact on the business and financial performance of our Group as a financial services provider.

As a result of globalisation, economic or market instability in a single country or region is increasingly affecting other markets generally. A continuation of these situations could affect global economic conditions and world markets, which could in turn affect our Group's business and financial performance.

6.1.2 Credit risks

Credit risks arising from adverse changes in the credit quality and recoverability of loans, advances and amounts due from counterparties, are inherent in our Group's businesses. Such risks could arise from a deterioration in the credit quality of specific counterparties of our Group, from a general deterioration in local or global economic conditions, or from systemic risks within the financial systems.

Although our Group believes that we have adopted a sound asset quality management system, there can be no assurance that the system will remain effective or adequate or that the amount of our Group's impaired or non-performing loans will not increase in the future. If the asset quality of our Group's loan portfolio deteriorates, our Group could be required to make additional provisions and write-offs for the impairment of our assets and other credit exposures.

6.1.3 Impaired loans

Loans, advances and financing of our Group are classified as impaired ("**Impaired Loans**") when they fulfil any of the following criteria:

- (i) principal or interest/ profit or both are past due for 3 months or more;
- (ii) where a loan is in arrears for less than 3 months, the loan exhibits indications of significant credit weaknesses; or
- (iii) where an Impaired Loan has been rescheduled or restructured, the loan will continue to be classified as impaired until repayments based on the revised and/ or restructured terms have been observed continuously for a period of 6 months.

Our Group first assesses whether objective evidence of impairment exists (i) individually for loans which are individually significant, and (ii) collectively for loans which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is then included in a group of loans with similar credit risk characteristics and collectively assessed for impairment, where applicable. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in collective assessment for impairment.

Where there is objective evidence that an impairment loss has been incurred, loan impairment is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate of loans, advances and financing. The carrying amount of the loans, advances and financing is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Where appropriate, the estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

Collective assessment of loans is performed via grouping of loans on the basis of similar credit risk characteristics. Future cash flows of each of these groups of loans are estimated on the basis of historical loss experience for such assets and discounted to present value. Collective assessment on impairment allowance is made on any shortfall in these discounted cash flows against the carrying value of the group of loans.

In addition, in February 2014, BNM issued a letter requiring banking institutions to maintain, in aggregate, collective impairment provisions ("**CIP**") and regulatory reserves of no less than 1.2% of total outstanding loans/ financing (excluding loans/ financing with an explicit guarantee from the Government of Malaysia), net of individual impairment provisions. The new requirement shall be complied with by 31 December 2015. Our Group has complied with the 1.2% CIP requirement as at 30 June 2015.

There is no assurance that the number and value of the Impaired Loans of our Group will not increase in the future. There is no assurance that the level of allowance for the Impaired Loans made by our Group will prove to be adequate, that our Group will not have to make additional allowances for possible loan losses in the future or that our Group would be able to realise adequate proceeds from collateral disposals to cover the amount of the Impaired Loans net of loan loss allowance.

6.1.4 Deterioration in collateral values

Our Group's largest concentration of loans is property loans, where the total residential and non-residential property loans made up more than half of our Group's total loans as at 30 June 2015. Consequently, a significant portion of our Group's loans are secured by collateral such as real estate, the value of which, in some cases, may decline due to deterioration in economic condition or general worsening of the current global market outlook.

This may result in a portion of our Group's loans exceeding the value of the underlying collateral. Any such deterioration in the value of the collateral securing our Group's loans or its inability to obtain additional collateral or inability to realise the value of existing collateral may require our Group to increase its loan loss provisions or necessitate write-offs.

6.1.5 Liquidity and short-term funding sources

Liquidity and funding risks could arise from our Group's inability to anticipate and provide for unforeseen decreases or changes in funding sources, which could have adverse consequences on our Group's ability to meet its obligations when they fall due. Our Group's funding resources to support our loan and investment operations are characterised by short-term customer deposits comprising demand, savings, fixed deposits and short-term loans from financial institution.

Historically, our Group's deposits resources have contained a significant level of core deposits. However, there can be no assurance that such stable deposit resources will continue. For instance, if significant deposits are withdrawn or not rolled over upon maturity, our Group's liquidity position could be adversely affected and it may need to borrow from alternative short or long-term sources at a higher cost to fund our operations. Also, there can be no guarantee that such funding will be available on commercially reasonable terms, or at all.

6.1.6 Market fluctuation risks

Our Group's business is inherently subject to risks in financial markets and in the wider economy, including changes in, and increased volatility of, exchange rates, interest rates, inflation rates, credit spreads, commodity, equity, bond and property prices and the risk that our customers may act in a manner which is inconsistent with our Group's business, pricing and hedging assumptions. In particular, as a result of our Group's expansion into foreign markets, our Group may become increasingly exposed to changes in, and increased volatility of, foreign currency exchange rates.

Market movements may have an impact on our Group in a number of key areas. For example, changes in interest rate levels, yield curves and spreads affect the interest rate margin realised between lending and borrowing costs. Historically, there have been periods of high and volatile interbank lending margins over official rates, which have exacerbated these risks.

Although our Group believes that we have adopted sound market risk management practices and strategies, there can be no assurance that our Group's risk management systems will remain effective in mitigating risk exposures in all market environments or against all types of risks, including risks that are unidentified or unanticipated. Some methods of managing risks are based upon observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be significantly greater than the historical measures had indicated.

6.1.7 Interest rate risks

Our Group's exposure to interest rate risk arises from our loan portfolio, holdings of securities, customer deposits and our interbank deposits and placements. When the market interest rates decline, our Group's net interest margin generally decreases due to the immediate re-pricing of our base lending rate or base rate-based loans compared with slower re-pricing of the interest paid on customers' deposits, in particular fixed/ time deposits which are only re-priced on maturity.

The net interest margin on certain of our Group's banking products, for example credit cards, may be compressed in a rising interest rate environment due to statutory caps on the interest rate that our Group may charge our customers, therefore potentially preventing our Group from passing on the full amount of the interest rate increase to our customers.

Net interest margin also faces significant pressure due to competition within the Malaysian banking sector where market participants compete aggressively on price in certain product sectors. Competitive pressures on fixed rates or product terms in existing loans and deposits sometimes restrict our Group's ability to change interest rates applying to customers in response to changes in official and wholesale market rates. Also, the actual effect on net interest income due to changes in interest rates will depend on (i) the degree and timing of changes in interest rates, (ii) the behaviour and contractual re-pricing dates of our Group's assets and liabilities and (iii) our Group's ability to respond to changes in our interest rates on loans and deposits. Although our Group believes that it has adopted sound interest rate risk management strategies, there is no assurance that such strategies will remain effective or adequate in the future.

6.1.8 Capital and liquidity requirements

Our Group, being a licensed bank, is subject to the capital adequacy guidelines issued by BNM and failure to maintain our capital ratios may result in administrative actions or sanctions against us which may impact our Group's ability to fulfil our obligations to our stakeholders.

In accordance with the CA Framework, banking institutions are to, at all times in the periods specified under CA Framework, maintain at entity and consolidated levels the following minimum CAR requirements:

- (i) a CET 1 capital ratio of at least 3.5% in 2013, 4.0% in 2014 and 4.5% from 1 January 2015 onwards;
- (ii) a Tier 1 capital ratio of at least 4.5% in 2013, 5.5% in 2014 and 6.0% from 1 January 2015 onwards; and
- (iii) a Total capital ratio of at least 8.0% from 1 January 2013 onwards.

In addition to complying with the minimum CAR requirements, banking institutions are to, at all times in the periods specified under the CA Framework, maintain at both the entity and consolidated levels, a capital conservation buffer above the minimum CAR requirements. The capital conservation buffer will begin at 0.625% in 2016, increasing by an additional 0.625% in each subsequent year, to reach 2.5% in 2019. BNM may also specify an additional buffer requirement for a banking institution, having regard to the specific risk profile of the banking institution.

The table below summarises the above requirements:

1 January (all in %)	2013	2014	2015	2016	2017	2018	2019
Minimum CET 1 capital ratio	3.500	4.000	4.500	4.500	4.500	4.500	4.500
Capital conservation buffer	-	-	-	0.625	1.250	1.875	2.500
Minimum CET 1 capital plus conservation buffer	3.500	4.000	4.500	5.125	5.750	6.375	7.000
Minimum Tier 1 capital ratio	4.500	5.500	6.000	6.000	6.000	6.000	6.000
Minimum Tier 1 capital plus conservation buffer	4.500	5.500	6.000	6.625	7.250	7.875	8.500
Minimum Total capital ratio	8.000	8.000	8.000	8.000	8.000	8.000	8.000
Minimum Total capital plus conservation buffer	8.000	8.000	8.000	8.625	9.250	9.875	10.500

Furthermore, banking institutions are to, at all times in the periods specified under the CA Framework, maintain, at both entity and consolidated levels, a countercyclical capital buffer (“**CCyB**”) ranging from 0% up to 2.5% above the minimum CET 1 capital ratio, minimum Tier 1 capital ratio and minimum Total capital ratio.

The CCyB is determined as the weighted average of the prevailing CCyB rates applied in the jurisdictions in which a financial institution has credit exposures. A financial institution shall calculate its CCyB based on the prevailing CCyB rate at the date from which the rate applies, as announced by the relevant national authority.

Where the prevailing CCyB rate applied in a jurisdiction outside Malaysia is more than 2.5%, the CCyB rate for that jurisdiction is capped at 2.5% for the purpose of calculating the financial institution's CCyB, unless specified otherwise by BNM. If the national authority in a jurisdiction outside Malaysia has yet to announce the CCyB rate, the rate applicable for that jurisdiction is deemed to be 0%.

For exposures in Malaysia, BNM will communicate any decision on the CCyB rate by up to 12 months before the date from which the rate applies. Any decision to reduce the CCyB rate shall take effect immediately.

The CA Framework also provides for the gradual phasing out of the regulatory capital recognition of outstanding non-CET 1 and Tier 2 capital instruments that no longer meet, in full, the requirements set out in the CA Framework. Fixing the base at the nominal amount of such instruments outstanding (such base being the outstanding amount as at 1 January 2013) that is eligible to be included in the relevant tiers of capital under the previous iterations of CA Framework, their recognition is capped at 90.0% with effect from 1 January 2013, with this cap being reduced by 10 percentage points in each subsequent year, eventually resulting in such instruments being fully derecognised by 1 January 2022.

Our Group is also subject to the liquidity guidelines issued by BNM. BNM had on 31 March 2015 issued its LCR framework as per Basel III requirements, which calls on banking institutions to maintain sufficient stock of high quality liquid assets (“**HQLA**”) to buffer an acute liquidity stress scenario over a 30-day period.

The formula for the LCR is as follows:

$$\text{LCR} = \frac{\text{Stock of HQLA}}{\text{Total net cash outflow over the next 30 calendar days}}$$

Under the guideline, banking institutions are required to report and comply with the minimum LCR levels specified below separately, for its net cash outflows denominated in (i) RM and (ii) RM and all other currencies on an aggregated basis, at both the entity and consolidated level:

With effect from	1 June 2015	1 January 2016	1 January 2017	1 January 2018	1 January 2019
Minimum LCR	60.0%	70.0%	80.0%	90.0%	100.0%

If the regulatory capital and/ or liquidity requirements applied to our Group continue to increase in the future, our Group's return on equity and profitability could be adversely affected. Any failure by our Group to satisfy such increased regulatory capital and/ or liquidity requirements within the applicable timeline could result in administrative actions or sanctions, which in turn may have a material adverse effect on our Group's business, financial condition and results of operations.

6.1.9 Operational risks

Operational risks and losses can result from fraud or error by employees, improper documentation of transactions, failure to obtain proper internal authorisation, non-compliance with regulatory requirements and conduct of business rules, failure of internal systems, equipment and external systems (such as those of our Group's counterparties or vendors) as well as the occurrence of natural disasters. Although our Group has implemented risk controls and loss mitigation strategies and sufficient resources are devoted to developing efficient procedures, there can be no assurance that such measures will be effective.

Any fraud, negligence, system failure, calamity or failure in security measures could have a material adverse effect on our Group's business, financial condition and results of operations. In addition, our Group's reputation could be adversely affected by frauds committed by employees, customers or other third parties.

In addition, our Group seeks to protect our computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by our Group's increased use of the internet. Computer break-ins and power disruptions could affect the integrity of information stored in, and transmitted through, these computer systems and network infrastructure. Although our Group employs security systems, such as firewalls and password encryption designed to minimise the risk of security breaches, there can be no assurance that these security measures will be adequate or effective.

6.1.10 Rapid technology change

Our Group's ability to compete with other banks will depend, in part, on our ability to respond to technological advances and emerging banking industry standards and practices in a cost-effective and timely manner. Failure to keep pace with technological advances or to maintain an appropriate level of investment in information technology may affect our Group's competitiveness, business, financial condition and results of operations.

While our Group has dedicated resources to implementing advances in information technology systems to improve the accessibility of our services, there can be no assurance that our Group will be able to effectively implement these new technologies or adapt our transaction-processing systems to customers' requirements or industry standards, which may, in turn, have a material effect on our business and financial condition.

6.1.11 Dependency on key personnel

Our Group relies, to a significant extent, on our Directors and senior management to provide business direction and long-term strategy for our Group. In addition, our Group's success depends on the ability and experience of our senior management and other key employees. Competition for qualified personnel in the industry which our Group operates is intense and we may not be able to successfully attract new senior management personnel or retain our existing senior management personnel.

The loss of Directors, senior management or key employees, our Group's inability to attract new qualified employees or adequately trained employees, or the delay in hiring key employees, could adversely affect our ability to operate our business or to compete effectively. This in turn could affect our Group's business, financial condition and results of operations. Although plans such as training and development programmes have been implemented to ensure continuity of senior management and other key employees within our Group, there can be no assurance that such measures will be sufficient to fully mitigate any impact arising from the loss of any of our Directors, senior management or key employees.

6.2 Risks relating to the financial sector in Malaysia

6.2.1 Regulatory environment

Under the FSA, BNM is given the powers to regulate the Malaysian banking industry. This includes the authority to limit the interest/ profit rates charged by banks on certain types of loans and advances, establish limits on financing to certain sectors of the economy and prescribe measures requiring maintenance of certain level of reserves and minimum capital adequacy requirements. BNM also has broad investigative and enforcement powers. Any changes in regulatory measures imposed such as changes in the statutory reserve requirements, changes in the overnight policy rates, credit restrictions or capital adequacy requirements as well as changes in regulations, policies or guidelines which are not predictable may have an adverse impact on the business, financial condition, results of operations and prospects of banking institutions generally, including our Group.

In addition to the guidelines and regulations issued by BNM, our Group is also subject to relevant securities and other laws in Malaysia. There is no assurance that any future changes to present laws, regulations, guidelines or any introduction of new regulations or guidelines by relevant authorities will not have a material impact on the industries which our Group operates in. Any such changes may further materially affect the business, financial condition, results of operations and prospects of our Group.

6.2.2 Deposits in Malaysia

BNM is not required to act as lender of last resort to meet liquidity needs in the banking system generally or for specific institutions, although it has, in the past and on a case-by-case basis, provided assistance to individual banks with an isolated liquidity crisis. However, there can be no assurance that BNM will provide such assistance in the future. On 1 September 2005, BNM introduced a deposit insurance system ("**Deposit Insurance System**") which is administered by Perbadanan Insurans Deposit Malaysia ("**PIDM**"), an independent statutory body. All licensed commercial banks, including subsidiaries of foreign banks operating in Malaysia, and Islamic banks are member institutions of the PIDM.

Under the Deposit Insurance System, eligible deposits are insured up to a prescribed limit of RM250,000 (inclusive of principal and interest/ profit payable) per depositor per member institution. There is also separate coverage of up to RM250,000 per depositor per member institution for Islamic deposits (i.e. those accepted under Shariah principles), accounts held under joint ownership, trust accounts and accounts in the name of sole proprietorships and partnerships.

Notwithstanding the aforesaid, the fact that deposits exceeding the prescribed limit are not insured and could lead to or exacerbate liquidity problem, which, if severe, could have an adverse effect on our Group's business, financial condition, results of operations or prospects, or on the Malaysian financial markets generally.

6.2.3 Competition

The Financial Sector Masterplan, which was introduced by BNM since 1 March 2001, has transformed the financial sector to become more deregulated and market oriented, culminating in greater liberalisation, international integration and increased competition in the financial sector.

In addition, the Competition Act 2010 ("**Competition Act**"), which took effect on 1 January 2012, was introduced to promote economic development by promoting and protecting the process of competition in order to maximise consumer welfare through the prohibition of anti-competitive practices. The Competition Act applies to all commercial activities undertaken within Malaysia and those outside Malaysia which have effects on competition in the Malaysian market, which include commercial activities in the financial sector. The scope of the Competition Act includes prohibitions of anti-competitive agreements and the abuse of dominant position.

There can be no assurance that our Group will be able to maintain or increase our present market share in the future or that increased competition will not materially and adversely affect the business, financial condition and results of operations or prospects of our Group.

6.3 Risks relating to our Shares and the Rights Issue

6.3.1 Market risks

The price of HLB Shares as traded on Bursa Securities may fluctuate, like all other listed securities. A variety of factors could cause the price of HLB Shares to fluctuate, including trades of substantial amounts of HLB Shares in the open market, announcements of developments relating to our Group's business, fluctuations in our Group's operating results, and announcements of new services or products or service enhancements by our Group or competitors of our Group.

In addition to the fundamentals of our Group, the future price performance of HLB Shares will also depend upon various external factors such as general economic, political and industry conditions, the performance of regional and world bourses as well as sentiments and liquidity in the local stock market.

There is no assurance that HLB Shares will be traded at or above the issue price of the Rights Shares and/ or the TERP, after the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities.

6.3.2 Delay in or abortion of the Rights Issue

There is a risk that the Rights Issue may be delayed or aborted due to, *inter alia*, the occurrence of the following events:

- (i) *force majeure* events which include amongst others, flood, storm and epidemic, which are beyond the control of our Bank, arising prior to the implementation of the Rights Issue; or
- (ii) the Joint Underwriters exercising their rights under the Management and Underwriting Agreement to terminate their commitments and discharge themselves from their obligations for any reason whatsoever.

In the event of a failure in the implementation of the Rights Issue, all monies received in respect of all applications for the Rights Shares will be returned in full without interest. Pursuant to Section 243 of the CMSA, if any such money received from the Entitled Shareholders are not repaid within 14 days after our Bank becomes liable to pay, our Bank will repay such money with interest at the rate of 10.0% per annum or such other rate as may be prescribed by the SC in accordance with Section 243(2) of the CMSA.

In the event that the Provisional Rights Shares have been allotted to the successful Entitled Shareholders and/ or their renouncee(s) and/or transferee(s) (if applicable) and the Rights Issue is subsequently aborted and terminated, a return of subscription monies to all holders of the Rights Shares would only be achievable by way of cancellation of our share capital as provided for under the Act. Such cancellation requires the sanction of our shareholders by way of a special resolution in a general meeting, consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya. In such an event, there can be no assurance that such monies can be returned within a short period of time or at all.

Whilst our Bank will exercise our best endeavour to ensure the successful implementation of the Rights Issue, there can be no assurance that the abovementioned events will not occur, resulting in a delay or abortion of the Rights Issue.

6.3.3 Potential dilution

Entitled Shareholders who do not or are not able to accept the Provisional Rights Shares will have their proportionate ownership and voting interests in our Bank reduced and the percentage of their shareholdings in our Bank will also be reduced accordingly.

6.4 Forward-looking statements

This Abridged Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Abridged Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Bank for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our current views with respect to the future events and are not a guarantee of future performance. Forward-looking statements can be identified by the use of forward-looking terminology such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "foresee", "forecast", "project" or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- (i) our future overall business development, operations and financial performance, including earnings, cash flows and liquidity;
- (ii) potential growth opportunities;
- (iii) our business strategies, trends, competitive position and effect of competition;
- (iv) plans, objective and strategies of our Bank for future operations;
- (v) the general industry environment; and
- (vi) the regulatory environment and the effects of future regulations.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors, including, without limitation:

- (i) the general economic conditions in the markets in which we operate; and
- (ii) our ability to compete with other financial institutions in a highly competitive industry.

7. INDUSTRY OVERVIEW AND PROSPECTS

7.1 The Malaysian economy

The Malaysian economy grew by 5.3% in the first half of 2015, driven by resilient domestic demand. Private sector expenditure contributed 5.3 percentage points to growth. Private investment and consumption remained robust growing by 7.5% and 7.6%, respectively. On the supply side, growth was mainly driven by the services and manufacturing sectors contributing 3.0 and 1.1 percentage points, respectively.

On the external front, Malaysia continues to be impacted by slower global growth and regional trade. Hence, the trade performance remained subdued during the first eight months of 2015 with exports and imports contracting by 1.4% and 2.0%, respectively (January to August 2014: 9.5%; 6.1%). Although weighed down by weak commodity prices, the steady demand for electrical and electronic products saw exports of manufactured goods registering positive growth during the period.

The Malaysian economy is expected to remain steady in 2016, with real gross domestic product growth between 4.0% and 5.0% led by domestic demand. Private sector expenditure will remain the main driver of growth with private consumption and investment expected to grow by 6.4% and 6.7%, respectively. Meanwhile, Government expenditure is forecasted to expand, albeit at a moderate pace, in line with efforts to strengthen the fiscal position. On the supply side, growth is expected to be broad-based, with all the sectors registering positive growth. Malaysia's external position is forecasted to remain positive supported by better prospects for global growth and trade.

The economy will continue to operate under conditions of full employment with the unemployment rate remaining below 4.0%. Despite a weak RM, inflation is expected to remain benign attributed to low oil prices and the waning impact of the Goods and Services Tax. For 2016, inflation is expected to range between 2.0% and 3.0%. The Government remains committed to fiscal consolidation. The fiscal deficit is expected to further decline to 3.1% of gross domestic product in 2016 (2015: 3.2%) while the Federal Government debt level will remain manageable within the prudent limit of 55.0% of gross domestic product.

(Source: Economic Report 2015/2016, Ministry of Finance)

7.2 The financial sector in Malaysia

Amid a more challenging environment, including moderate global growth, declining commodity prices and weakening RM, the Malaysian financial system remains strong.

The banking system remained well-capitalised. As at end August 2015, the CET 1 capital ratio, Tier 1 capital ratio and Total capital ratio were well above the minimum regulatory levels at 12.1%, 12.7% and 14.8%, respectively (end 2014: 12.8%; 13.6%; 15.5%). More than 80.0% of the banks' total capital consists of high quality capital in the form of retained earnings, paid-up capital and reserves. Total capital buffers in excess of minimum regulatory requirement were sustained at above RM98.0 billion (end August 2014: RM97.0 billion). Similarly, liquidity in the banking system remained ample. As at end August 2015, the banks' surplus liquidity placed with BNM, remained in excess of RM110.0 billion.

In the first eight months of 2015, the banking system recorded a slightly lower PBT of RM19.7 billion (January – August 2014: RM21.7 billion). The banking system continued to record steady profit, despite competitive pressures especially in the retail financing market. Profitability was also supported by revenue from other fee-based activities, such as investment banking and payment-related services, which recorded steady growth. All banks are in compliance with the strengthened Basel III LCR requirement, which is being phased in from 1 June 2015. Loan quality in the banking system improved further with the level of net impaired loans at 1.2% of net loans as at end August 2015 (end August 2014: 1.3%).

While downside risks remain, the Malaysian economy is expected to be on a steady growth path driven by resilient domestic demand. In this regard, monetary policy in 2016 will remain supportive of economic growth amid the benign inflation outlook. The sound banking system and the well-developed capital market will be able to absorb volatile capital flows and ensure financial intermediation in an orderly and efficient manner. In addition, the financial system is expected to have ample liquidity to support economic activities. Leveraging its role as the lead issuer in Sukuk and pioneer in innovative products, Malaysia remains well placed to make further strides in Islamic finance.

(Source: Economic Report 2015/2016, Ministry of Finance)

7.3 Prospects of our Group

Growth outlook is expected to remain modest going into 2016, supported by moderate growth in domestic demand and global economy. Uncertainties in financial markets coupled with slower growth in global and regional economies are expected to have some repercussions on Malaysia given the openness of its economy. Although overall growth is expected to moderate, it will still be supported by a diversified economic structure, low inflation, relatively benign unemployment as well as domestic consumption.

Our Group remains focused in executing our strategies in building a high performance business and strengthening the foundation for sustainable profitability.

Given a tougher operating environment, we continue to place emphasis in scaling efficiency and productivity through strategic cost and portfolio management, and embedding service excellence throughout all channels of branches, contact centres, e-banking, online banking and mobile banking to optimise customer experience. In the digital front, we remain focused in introducing new innovative features and products as part of our efforts to offer "Best-in-Class" digital platform and e-payment capabilities.

8. EFFECTS OF THE RIGHTS ISSUE

8.1 Issued and paid-up share capital

The pro forma effects of the Rights Issue on the issued and paid-up share capital of our Bank are as follows:

	Par value (RM)	No. of HLB Shares (‘000)	Share capital (RM’000)
Existing as at the LPD	1.00	1,879,909	1,879,909
Treasury Shares	1.00	(81,102)	(81,102)
	1.00	1,798,807	1,798,807
To be issued pursuant to the Rights Issue	1.00	287,809	287,809
Enlarged issued and paid-up share capital	1.00	2,086,616	2,086,616

8.2 NA and gearing

The pro forma effects of the Rights Issue, based on the audited consolidated NA of our Bank as at 30 June 2015 and assuming the Rights Issue has been completed on 30 June 2015, and none of the Treasury Shares are resold to the market prior to the completion of the Rights Issue, are set out below:

	Audited as at 30 June 2015	Adjustments for completed transactions ⁽¹⁾	(I) After (I) and the Rights Issue ⁽²⁾
	(RM'000)	(RM'000)	(RM'000)
Share capital	1,879,909	1,879,909	2,167,718
Share premium	2,872,183	2,872,183	⁽²⁾ 5,570,589
Treasury shares	(648,588)	(662,792)	(720,132)
Other reserves	4,866,574	4,866,574	4,866,574
Retained profits	7,819,514	7,819,514	7,819,514
NA	16,789,592	16,775,388	19,704,263
No. of HLB Shares in circulation ('000)	⁽³⁾ 1,765,434	⁽⁴⁾ 1,764,348	⁽⁵⁾ 2,046,644
NA per HLB Share (RM)	9.51	9.51	9.63
Total borrowings ⁽⁶⁾ (RM'000)	8,847,284	8,847,284	8,847,284
Gearing ⁽⁷⁾ (times)	0.53	0.53	0.45

Notes:

- (1) After adjusting for the purchase of 1,086,300 treasury shares held in trust for the ESOS ("Trust Shares") from the open market from 1 July 2015 up to and including the LPD, at an average price of RM13.08, which were satisfied by total purchase consideration of approximately RM14.2 million.
- (2) After deducting estimated expenses of approximately RM7.0 million in relation to the Rights Issue.
- (3) Excluding 81,101,700 Treasury Shares and 33,372,900 Trust Shares.
- (4) Excluding 81,101,700 Treasury Shares and 34,459,200 Trust Shares.
- (5) Excluding 81,101,700 Treasury Shares and 39,972,672 Trust Shares.
- (6) Comprises senior bonds, Tier 2 subordinated bonds, non-innovative Tier 1 stapled securities and innovative Tier 1 capital securities.
- (7) Computed as total borrowings divided by NA.

8.3 Earnings and EPS

The effects of the Rights Issue on the consolidated earnings of our Bank for the FYE 30 June 2016 will depend on the level of returns to be generated from the utilisation of the proceeds to be raised from the Rights Issue.

Assuming that the consolidated earnings of our Bank remains unchanged, the consolidated EPS of our Bank will be diluted as a result of the increase in the number of HLB Shares in issue following the allotment and issue of the Rights Shares.

9. WORKING CAPITAL, BORROWINGS, MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

9.1 Working capital

Our Board is of the opinion that after taking into account the funds to be generated from our Group's operations and the proceeds to be raised from the Rights Issue, our Group will have sufficient working capital for a period of 12 months from the date of this Abridged Prospectus to meet its present working capital requirements.

9.2 Borrowings

As at the LPD, our Group's total outstanding borrowings, all of which are interest-bearing, and any interest accruing thereof (excluding deposits from customers as well as the deposits and placements of banks and other financial institutions) are as follows:

	<u>(RM'000)</u>
Maturing/ Callable within 1 year or less:	
Senior bonds	1,286,964
Tier 2 subordinated bonds ⁽¹⁾	1,529,251
Non-innovative Tier 1 stapled securities ⁽¹⁾	1,434,800
Maturing/ Callable after 1 year:	
Senior bonds	1,294,477
Tier 2 subordinated bonds	2,438,152
Innovative Tier 1 capital securities	520,133
Total	<u>8,503,777</u>

Note:

(1) Based on first call date falling within the next 1 year, subject to BNM approval.

Included in the above borrowings are USD denominated senior and unsecured bonds amounting to USD601 million (inclusive of accrued interest and unamortised discount) or approximately to RM2,581 million as at the LPD.

There has not been any default on payments of either interest and/ or principal sums by our Group in respect of any borrowings throughout the FYE 30 June 2015 and the subsequent financial period up to the LPD.

9.3 Material commitments and contingent liabilities

As at the LPD, the material commitments and contingent liabilities incurred or known to be incurred by our Group are as disclosed below:

(i) Commitments and contingencies in the normal course of business of our Group:	<u>(RM'000)</u>
Direct credit substitutes	205,200
Certain transaction related contingent items	1,602,366
Short-term self liquidating trade related contingencies	756,087
Irrevocable commitments to extend credit	36,749,285
Foreign exchange related contracts	43,416,291
Interest rate related contracts	133,729,595
Equity related contracts	528,661

(i)	Commitments and contingencies in the normal course of business of our Group (Cont'd):	(RM'000)
	Commodity related contracts	7,608
	Unutilised credit card lines	7,512,168
	Total	224,507,261
(ii)	Capital commitments⁽¹⁾:	(RM'000)
	Approved and contracted for	258,305
	Approved but not contracted for	29,513
	Total	287,818

Note:

- (1) *The capital commitments are in relation to the following:*
- (i) *purchase of property and equipment;*
 - (ii) *purchase of intangible assets; and*
 - (iii) *purchase of DC Tower Sdn Bhd.*

The material commitments are expected to be funded through internally-generated funds.

Save as those disclosed above, our Board, after having made all reasonable enquiries, is not aware of any other material commitments and contingent liabilities which may, upon being enforceable, have a material impact on the financial position or business of our Group.

10. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE OR TRANSFER AND EXCESS APPLICATION

FULL INSTRUCTIONS FOR THE ACCEPTANCE AND PAYMENT FOR THE PROVISIONAL RIGHTS SHARES AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU WISH TO SELL OR TRANSFER ALL OR PART OF YOUR PROVISIONAL RIGHTS SHARES ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF.

YOU AND/ OR YOUR RENOUNCEE(S) AND/ OR TRANSFEREE(S) (IF APPLICABLE) ARE ADVISED TO CAREFULLY READ AND UNDERSTAND THE CONTENTS OF THIS ABRIDGED PROSPECTUS, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN. IN ACCORDANCE WITH THE REQUIREMENTS OF THE CMSA, THE RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THIS ABRIDGED PROSPECTUS.

10.1 General

The Provisional Rights Shares are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in the Provisional Rights Shares will be by book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. As an Entitled Shareholder, you and/ or your renounee(s) and/ or transferee(s) (if applicable) are required to have valid and subsisting CDS Accounts when making applications to subscribe for the Rights Shares.

If you are an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Rights Shares which you are entitled to subscribe for under the terms of the Rights Issue. You will find enclosed with this Abridged Prospectus the NPA notifying you of the crediting of such number of Provisional Rights Shares into your CDS Account and the RSF to enable you to subscribe for such Provisional Rights Shares, as well as to apply for Excess Rights Shares if you choose to do so.

The Provisional Rights Shares are renounceable in full or in part and as such, you may fully or partially renounce your Provisional Rights Shares.

10.2 Procedures for acceptance and payment

Acceptances and payments for the Provisional Rights Shares must be made on the RSF enclosed with this Abridged Prospectus and completed in accordance with the notes and instructions contained in the RSF. Acceptances which do not strictly conform to the terms or the notes and instructions contained in this Abridged Prospectus or the RSF or which are illegible may be rejected at the absolute discretion of our Board.

If you wish to accept all or part of your Provisional Rights Shares, please complete Parts I(a) and II of the RSF in accordance with the notes and instructions contained in the RSF. Each completed and signed RSF with the relevant payment must be despatched by ORDINARY POST or DELIVERED BY HAND (at your own risk) to our Share Registrar at the following address:

Hong Leong Share Registration Services Sdn Bhd
Level 5, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel. no.: 603-2164 1818
Fax no.: 603-2164 3703

to be received by our Share Registrar before 5.00 p.m. on Monday, 14 December 2015, being the last date and time for acceptance and payment (or such later date and time as our Board may decide and announce not less than 2 Market Days before the stipulated date and time).

If you lose, misplace or for any reason require another copy of the RSF, you and/ or your renounee(s) and/ or transferee(s) (if applicable) may obtain additional copies from any Malaysian stockbroking companies, our Share Registrar, our Registered Office or Bursa Securities' website at <http://www.bursamalaysia.com>.

You must use 1 RSF for the acceptance of the Provisional Rights Shares standing to the credit of 1 CDS Account. Separate RSFs must be used for the acceptance of the Provisional Rights Shares standing to the credit of different CDS Accounts. The Rights Shares that you have subscribed for will be credited into the respective CDS Accounts where the Provisional Rights Shares are credited.

A reply envelope is enclosed with this Abridged Prospectus. To facilitate the processing of the RSFs by our Share Registrar, you are advised to use 1 reply envelope for each completed RSF.

Each completed RSF must be accompanied by remittance in RM for the full and exact amount payable in respect of the Provisional Rights Shares accepted, in the form of banker's draft(s), cashier's order(s), money order(s) or postal order(s) drawn on a bank or post office in Malaysia and should be made payable to "**HLB RIGHTS SHARES ACCOUNT**", crossed "**ACCOUNT PAYEE ONLY**" and **endorsed on the reverse side with your name in block letters, your contact number and your CDS Account number.**

The remittance must be made for the exact amount payable for the Rights Shares accepted. Any acceptance accompanied by excess or insufficient remittances or remittances in the manner other than stated in this Abridged Prospectus may be rejected at the absolute discretion of our Board. Details of the remittance must be filled in the appropriate boxes provided in the RSF.

NO ACKNOWLEDGEMENT WILL BE ISSUED FOR RECEIPT OF THE RSF OR SUBSCRIPTION MONIES IN RESPECT OF THE RIGHTS SHARES. HOWEVER, IF YOUR SUBSCRIPTION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST AT THE ADDRESS SHOWN IN BURSA DEPOSITORY'S RECORD AT YOUR OWN RISK WITHIN 8 MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

PROOF OF TIME OF POSTAGE SHALL NOT CONSTITUTE PROOF OF TIME OF RECEIPT BY OUR SHARE REGISTRAR OR OUR BANK. YOUR APPLICATION SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY APPLICATION OR TO ACCEPT IN PART ONLY WITHOUT ASSIGNING ANY REASON THEREOF.

WHERE AN APPLICATION IS NOT ACCEPTED OR ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE SUBSCRIPTION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS SHOWN IN BURSA DEPOSITORY'S RECORD AT YOUR OWN RISK WITHIN 15 MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES.

If the acceptance and payment for the Provisional Rights Shares are not received (whether in full or in part) by our Share Registrar by 5.00 p.m. on Monday, 14 December 2015 (or such later date and time as our Board may decide and announce not less than 2 Market Days before the stipulated date and time), your and/ or your renounee(s)' and/ or transferee(s)' (if applicable) Provisional Rights Shares will be deemed to have been declined and will be cancelled.

Such Rights Shares not taken up will be allotted to the applicants applying for the Excess Rights Shares and, subsequently, to the Joint Underwriters if the Rights Shares are not fully subscribed for in the manner as set out in Section 10.4 of this Abridged Prospectus.

10.3 Procedures for sale or transfer of the Provisional Rights Shares

The Provisional Rights Shares are renounceable. If you wish to sell or transfer all or part of your Provisional Rights Shares to 1 or more persons, you may do so through your stockbroker for the period up to the last date and time for the sale or transfer of Provisional Rights Shares (in accordance with the Rules of Bursa Depository) without first having to request for a split of the Provisional Rights Shares standing to the credit of your CDS Account(s). To sell or transfer all or part of your Provisional Rights Shares, you may sell such entitlement in the open market or transfer such Provisional Rights Shares to such person(s) as may be allowed under the Rules of Bursa Depository.

In selling or transferring all or part of your Provisional Rights Shares, you need not deliver any document (including the RSF) to your stockbroker. **YOU ARE HOWEVER ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF AS WELL AS ENSURE THAT THERE ARE SUFFICIENT PROVISIONAL RIGHTS SHARES STANDING TO THE CREDIT OF YOUR CDS ACCOUNT(S) BEFORE SUCH SALE OR TRANSFER.**

Renounee(s) and/ or transferee(s) (if applicable) of the Provisional Rights Shares may obtain a copy of this Abridged Prospectus and the RSF from their stockbrokers, our Share Registrar, our Registered Office or Bursa Securities' website at <http://www.bursamalaysia.com>.

If you have sold or transferred only part of your Provisional Rights Shares, you may still accept the balance of your Provisional Rights Shares by using the procedures described in Section 10.2 of this Abridged Prospectus.

10.4 Procedures for application for Excess Rights Shares

If you are an Entitled Shareholder, you and/ or your renounee(s) and/ or transferee(s) (if applicable) may apply for Excess Rights Shares in addition to your Provisional Rights Shares.

It is the intention of our Board to allot the Excess Rights Shares, if any, in a fair and equitable manner to the Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) who have applied for Excess Rights Shares in the following priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, for allocation to Entitled Shareholders who have applied for Excess Rights Shares, on a pro-rata basis and in board lots, computed based on their respective shareholdings in our Bank as at the Entitlement Date;
- (iii) thirdly, for allocation to Entitled Shareholders who have applied for Excess Rights Shares, on a pro-rata basis and in board lots, computed based on the quantum of their respective Excess Rights Shares application; and
- (iv) lastly, for allocation to renounee(s) and/ or transferee(s) (if applicable) who have applied for Excess Rights Shares, on a pro-rata basis and in board lots, computed based on the quantum of their respective Excess Rights Shares application.

In the event of an under subscription by the Entitled Shareholders and/or their renounee(s) and/ or transferee(s) (if applicable), even after all Excess Rights Shares applications have been taken into consideration, the remaining unsubscribed Rights Shares will be subscribed by the Joint Underwriters as set out in Section 3.2 of this Abridged Prospectus.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares applied for in such manner as it deems fit or expedient and in the best interest of our Bank subject always to such allocation being made on a fair and equitable basis and that the intention of our Board set out in (i) to (iv) above is achieved. Our Board also reserves the right not to accept any application for Excess Rights Shares, in full or in part, without assigning any reason thereof.

Applications and payments for Excess Rights Shares must be made on the RSF enclosed with this Abridged Prospectus and completed in accordance with the notes and instructions contained in the RSF. Applications which do not strictly conform to the terms or the notes and instructions contained in this Abridged Prospectus or the RSF or which are illegible may be rejected at the absolute discretion of our Board.

If you wish to apply for Excess Rights Shares in addition to your Provisional Rights Shares, please complete Part I(b) of the RSF (in addition to Parts I(a) and II) in accordance with the notes and instructions contained in the RSF. Each application for Excess Rights Shares, together with a **separate remittance** for the full and exact amount payable in respect of the Excess Rights Shares applied for, must be despatched by ORDINARY POST or DELIVERED BY HAND (at your own risk) to be received by our Share Registrar before 5.00 p.m. on Monday, 14 December 2015, being the last date and time for excess application and payment (or such later date and time as our Board may decide and announce not less than 2 Market Days before the stipulated date and time).

SHOULD YOU APPLY FOR EXCESS RIGHTS SHARES IN ADDITION TO YOUR PROVISIONAL RIGHTS SHARES, YOU SHOULD ALWAYS OBSERVE ALL APPLICABLE SHAREHOLDING PROVISIONS UNDER THE FSA.

Payment for the Excess Rights Shares applied for should be made in the same manner as described in Section 10.2 of this Abridged Prospectus, except that the banker's draft(s), cashier's order(s), money order(s) or postal order(s) drawn on a bank or post office in Malaysia should be made payable to "HLB EXCESS RIGHTS SHARES ACCOUNT", crossed "ACCOUNT PAYEE ONLY" and **endorsed on the reverse side with your name in block letters, your contact number and your CDS Account number.**

Any application accompanied by excess or insufficient remittances or remittances in the manner other than as stated in this Abridged Prospectus may be rejected at the absolute discretion of our Board.

NO ACKNOWLEDGEMENT WILL BE ISSUED FOR RECEIPT OF THE RSF OR APPLICATION MONIES IN RESPECT OF THE EXCESS RIGHTS SHARES. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST AT THE ADDRESS SHOWN IN BURSA DEPOSITORY'S RECORD AT YOUR OWN RISK WITHIN 8 MARKET DAYS FROM THE LAST DATE FOR APPLICATION AND PAYMENT FOR THE EXCESS RIGHTS SHARES OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

PROOF OF TIME OF POSTAGE SHALL NOT CONSTITUTE PROOF OF TIME OF RECEIPT BY OUR SHARE REGISTRAR OR OUR BANK. YOUR APPLICATION SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY APPLICATION OR TO ACCEPT IN PART ONLY WITHOUT ASSIGNING ANY REASON THEREOF.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL APPLICATIONS FOR EXCESS RIGHTS SHARES, THE FULL AMOUNT OR THE SURPLUS MONIES (AS THE CASE MAY BE) WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS SHOWN IN BURSA DEPOSITORY'S RECORD AT YOUR OWN RISK WITHIN 15 MARKET DAYS FROM THE LAST DATE FOR APPLICATION AND PAYMENT FOR THE EXCESS RIGHTS SHARES.

10.5 Procedures to be followed by renounees and transferees

Renounees or transferees who wish to accept the Provisional Rights Shares or to apply for the Excess Rights Shares must obtain a copy of this Abridged Prospectus and the RSF from their stockbrokers, our Share Registrar, our Registered Office or Bursa Securities' website at <http://www.bursamalaysia.com>.

The procedures for the acceptance and payment for the Provisional Rights Shares and the application and payment for Excess Rights Shares by renounees and transferees are the same as those applicable to the Entitled Shareholders as described in Sections 10.2 and 10.4 respectively, of this Abridged Prospectus.

RENOONEES AND TRANSFEREES ARE ADVISED TO CAREFULLY READ AND UNDERSTAND THE CONTENTS OF THIS ABRIDGED PROSPECTUS, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.

10.6 Form of issuance

Bursa Securities has prescribed the securities of our Bank listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, all dealings in respect of the Rights Shares are subject to the SICDA and the Rules of Bursa Depository. You must have a valid and subsisting CDS Account in order to subscribe for the Rights Shares.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS Account number may result in your application being rejected.

No physical share certificates will be issued. Instead, the Rights Shares will be credited directly into your CDS Account(s).

Any person who intends to subscribe for the Rights Shares as a renounee and/ or transferee by purchasing and/ or transferring the Provisional Rights Shares from an Entitled Shareholder will have his Rights Shares credited directly as prescribed securities into his CDS Account(s).

10.7 Laws of foreign jurisdictions

The Documents are not and will not be made to comply with the laws of any country or jurisdiction other than Malaysia, and have not and will not be registered under any applicable securities legislation of any country or jurisdiction other than Malaysia.

The Documents are not intended to be (and will not be) issued, circulated or distributed, and the Rights Issue will not be made or offered or deemed to be made or offered for purchase or subscription, in any country or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. The Rights Issue to which the Documents relate is only available to the persons receiving the Documents within Malaysia.

Accordingly, the Documents will only be sent to the Entitled Shareholders who have a registered address in Malaysia or who have provided our Share Registrar with an address in Malaysia for the despatch of the Documents by the Entitlement Date. Persons receiving the Documents (including without limitation, custodians, nominees and trustees), must not, in connection with the Rights Issue, distribute or send the Documents outside of Malaysia. Foreign Addressed Shareholders who wish to provide Malaysian addresses should inform our Share Registrar by the Entitlement Date. Alternatively, such Foreign Addressed Shareholders may collect the Documents from our Share Registrar who shall be entitled to request for such evidence as they deem necessary to satisfy themselves as to the identity and authority of the person collecting the Documents.

Foreign Addressed Shareholders will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such foreign country or jurisdiction and our Bank shall be entitled to be fully indemnified and held harmless by such foreign applicants for any issue, transfer or any other taxes or duties as such person may be required to pay. Such applicants should also consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to exercise their rights in respect of the Rights Issue.

Our Bank will not make or be bound to make any enquiry as to whether the Entitled Shareholders have a registered address in Malaysia other than as stated in the Record of Depositors of our Bank on the Entitlement Date and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith. Our Bank will assume that the Rights Issue and the acceptance by the Entitled Shareholders thereof would not be in breach of the laws of any country or jurisdiction. Our Bank will further assume that the Entitled Shareholders have accepted the Rights Issue in Malaysia and will at all applicable times be subject to the laws of Malaysia.

The Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) shall not have any right or claim against our Bank, our Directors and HLIB ("**Parties**") in respect of their rights or entitlements under the Rights Issue or to any proceeds thereof. The Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) may only accept or renounce and/ or transfer (as the case may be) all or part of your entitlement and exercise any other rights in respect of the Rights Issue only to the extent that it would be lawful to do so, and the Parties would not be in breach of the laws of any foreign country and/ or jurisdiction to which the Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) is or may be subject.

It shall be the sole responsibility of the Entitled Shareholders who are or may be subject to the laws of country or jurisdiction other than Malaysia ("**Foreign Shareholder(s)**"), which includes but not limited to the Foreign Addressed Shareholders, to consult their legal advisers and/ or other professional advisers as to whether the acceptance in any manner whatsoever of the Rights Issue would result in the contravention of any law of such country or jurisdiction and participation by these Entitled Shareholders in the Rights Issue shall be on the basis of a warranty by them that they may lawfully so participate without the Parties being in breach of the laws of any country or jurisdiction.

Neither the Parties nor any other advisers for the Rights Issue shall accept any responsibility or liability in the event that any acceptance or sale and/ or transfer of the Provisional Rights Shares made by the Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) shall become illegal, unenforceable, voidable or void in any such country or jurisdiction.

If you are a Foreign Shareholder, remittances by you and/ or your renounee(s) and/ or transferee(s) (if applicable) who wish to accept the Provisional Rights Shares and/ or apply for Excess Rights Shares subject to the above conditions must be made in the manner prescribed in Sections 10.2 and 10.4 of this Abridged Prospectus respectively.

If you are a Foreign Shareholder, by signing the RSF, you and/ or your renounee(s) and/ or transferee(s) (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representation, acknowledgement and declaration will be relied upon by) the Parties that:

- (i) our Bank would not, by acting on the acceptance or renunciation in connection with the Rights Issue, be in breach of the laws of any country or jurisdiction which you and/ or your renounee(s) and/ or transferee(s) (if applicable) are or may be subject to;
- (ii) you and/ or your renounee(s) and/ or transferee(s) (if applicable) have complied with the laws which you and/ or your renounee(s) and/ or transferee(s) (if applicable) are or may be subject to in connection with the acceptance or renunciation;
- (iii) you and/ or your renounee(s) and/ or transferee(s) (if applicable) are not a nominee or agent of a person in respect of whom our Bank would, by acting on the acceptance or renunciation, be in breach of the laws of any country or jurisdiction to which that person is or may be subject;
- (iv) you and/ or your renounee(s) and/ or transferee(s) (if applicable) are aware that the Provisional Rights Shares can only be transferred, sold or otherwise disposed of, charged, hypothecated or pledged or dealt with in any way in accordance with all applicable laws in Malaysia;
- (v) you and/ or your renounee(s) and/ or transferee(s) (if applicable) have respectively received a copy of this Abridged Prospectus and have read and understood the contents of this Abridged Prospectus; and
- (vi) you and/ or your renounee(s) and/ or transferee(s) (if applicable) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing for or purchasing the Rights Shares, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares.

Persons receiving the Documents (including without limitation custodians, nominees and trustees) must not, in connection with the Rights Issue, offer, distribute or send any of them into any country or jurisdiction where doing so would or might contravene local securities, exchange control or other relevant laws or regulations. If the Documents are received by any person in such countries or jurisdictions, or by the agent or nominee of any such person, he must not seek to accept the offer unless he has complied with and observed the laws of all relevant countries or jurisdictions.

Any person who forwards the Documents to any such country or jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section, and our Bank reserves the right to reject a purported acceptance of the Provisional Rights Shares from any application by Foreign Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) in any country or jurisdiction other than Malaysia.

Our Bank reserves the right, at its absolute discretion, to treat any acceptance as invalid if our Bank believes that such acceptance may violate applicable legal or regulatory requirements in any country or jurisdiction. The Provisional Rights Shares relating to any acceptance that is treated as invalid will be included in the pool of Excess Rights Shares available for application by other Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable).

11. TERMS AND CONDITIONS

The issuance of the Rights Shares pursuant to the Rights Issue is governed by the terms and conditions as set out in the Documents.

12. FURTHER INFORMATION

Please refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board of
HONGLEONG BANK BERHAD



TAN KONG KHOON
Group Managing Director/ Chief Executive Officer

CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE PASSED AT OUR EGM HELD ON 29 SEPTEMBER 2015



Certified extract of the minutes of the **Extraordinary General Meeting** of HONG LEONG BANK BERHAD ("HLB" or "the Bank") held on 29 September 2015:-

ORDINARY RESOLUTION**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF NEW ORDINARY SHARES OF RM1.00 EACH IN THE BANK TO RAISE GROSS PROCEEDS OF UP TO RM3.0 BILLION ("PROPOSED RIGHTS ISSUE")**


"THAT subject to the approvals of all relevant regulatory authorities being obtained, approval be and is hereby given to the Board of Directors of the Bank ("Board") to provisionally issue and allot, by way of a renounceable rights issue, such number of new ordinary shares of RM1.00 each in the Bank ("HLB Shares") ("Rights Shares") to raise gross proceeds of up to RM3.0 billion, to the shareholders of the Bank whose names appear in the Record of Depositors of the Bank as at the close of business on an entitlement date to be determined and announced later by the Board ("Entitled Shareholders"), and/ or their renounee(s) and/ or transferee(s) (if applicable), to be credited as fully paid-up upon full payment, on an entitlement basis and at an issue price to be determined and announced later by the Board;

THAT any Rights Shares which are not subscribed or validly subscribed shall be made available for excess applications by the other Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) in a fair and equitable manner on a basis to be determined and announced later by the Board;

THAT the Board be and is hereby empowered and authorised to deal with any fractional entitlements that may arise from the Proposed Rights Issue in such manner as the Board shall in its absolute discretion deem fit or expedient and in the best interest of the Bank;

THAT the Rights Shares shall, upon allotment and issue, rank *pari passu* in all respects with the then existing HLB Shares in issue, save and except that they will not be entitled to any dividends, rights, allotments and/ or other distributions, in respect of which the entitlement date is prior to the date of allotment of the Rights Shares;

THAT approval be and is hereby given for the Bank to utilise the proceeds of the Proposed Rights Issue for the purposes as set out in the circular to shareholders of the Bank dated 14 September 2015, and the Board be and is hereby authorised with full powers to vary the manner and/ or purpose of utilisation of such proceeds in such manner as the Board shall in its absolute discretion deem fit, necessary, expedient and/ or appropriate and in the best interest of the Bank;

Page 1 of 2 

CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE PASSED AT OUR EGM HELD ON 29 SEPTEMBER 2015 (Cont'd)

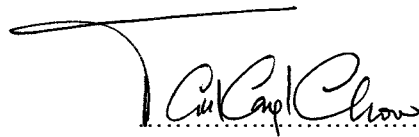
Hong Leong Bank Berhad

Certified Extract of the Minutes of the Extraordinary General Meeting held on 29 September 2015

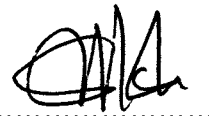
Re: Proposed Renounceable Rights Issue of New Ordinary Shares of RM1.00 Each in the Bank to Raise Gross Proceeds of Up to RM3.0 Billion ("Proposed Rights Issue")

AND THAT in order to implement, complete and give full effect to the Proposed Rights Issue, approval be and is hereby given to the Board to do or to procure to be done all such acts, deeds and things and to execute, sign and deliver on behalf of the Bank, all such documents and enter into any arrangements, agreements and/ or undertakings with any parties, as they may deem fit, necessary, expedient and/ or appropriate to implement, finalise, and/ or give full effect to complete the Proposed Rights Issue, with full powers to assent to any term, condition, modification, variation and/ or amendment as may be agreed with/ required by any relevant regulatory authority or as a consequence of any such requirements or as the Board shall in its absolute discretion deem fit, necessary, expedient and/ or appropriate in connection with the Proposed Rights Issue and in the best interest of the Bank."

Certified Correct



Director
Tan Kong Khoo



Secretary
Moh Suat Moi
(MAICSA 7005095)

INFORMATION ON OUR BANK

1. HISTORY AND BUSINESS

Our Bank was incorporated as Kwong Lee Bank Limited in Malaysia on 26 October 1934 and changed its name to Kwong Lee Bank Berhad on 15 April 1966. In 1982, Kwong Lee Bank Berhad was acquired by the MUI Group and on 2 February 1983, our Bank changed its name to Malayan United Bank Berhad. Subsequently on 26 June 1989, our Bank changed its name to MUI Bank Berhad. In January 1994, HFLG (previously known as Hong Leong Credit Berhad) acquired MUI Bank Berhad and our Bank assumed its present name on 10 January 1994. Our Bank was listed on the Kuala Lumpur Stock Exchange on 17 October 1994. In 2011, our Bank acquired the EON Bank Group.

2. PRINCIPAL ACTIVITIES

Our Bank is principally engaged in all aspects of commercial banking business and in the provision of related services. The principal activity of the significant subsidiary consists of Islamic banking services. Other subsidiaries are primarily engaged in commercial banking, real property investment, investment holding and nominee services.

Further details of our subsidiaries are set out in Section 6 of this Appendix.

3. SHARE CAPITAL

The authorised and issued and paid-up share capital of our Bank as at the LPD are as follows:

	No. of HLB Shares	Par value (RM)	Amount (RM)
Authorised	3,000,000,000	1.00	3,000,000,000
Issued and paid-up (excluding 81,101,700 HLB Shares held as Treasury Shares)	1,798,807,400	1.00	1,798,807,400

There is no change to the issued and paid-up share capital of our Bank for the past 3 years up to the LPD.

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INFORMATION ON OUR BANK (Cont'd)

4. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

In the event that all the Entitled Shareholders subscribe in full for their entitlements under the Rights Issue, there will be no effect on the shareholdings of our Substantial Shareholders save for the proportionate increase in the total number of HLB Shares held by each of our Substantial Shareholders following the Rights Issue.

For illustration purposes, the pro forma effects of the Rights Issue on the shareholdings of our Substantial Shareholders as at the LPD, after taking into consideration the Undertakings and assuming the other Substantial Shareholders fully subscribe for their respective entitlements under the Rights Issue, are as follows:

Substantial Shareholders	As at the LPD			After the Rights Issue		
	Direct No. of HLB Shares '000)	Indirect No. of HLB Shares '000)	%	Direct No. of HLB Shares '000)	Indirect No. of HLB Shares '000)	%
HLFG	1,143,931	13,996	63.59	1,326,960	16,235	63.59
Hong Leong Company (Malaysia) Berhad ("HLCM")	-	1,160,501	(¹)64.52	-	1,346,181	(¹)64.52
HL Holdings Sdn Bhd	-	1,160,501	(²)64.52	-	1,346,181	(²)64.52
YBhg Tan Sri Quek Leng Chan	-	1,160,549	(³)64.52	-	1,346,237	(³)64.52
Hong Realty (Private) Limited	-	1,160,501	(³)64.52	-	1,346,181	(³)64.52
Hong Leong Investment Holdings Pte Ltd	-	1,160,501	(³)64.52	-	1,346,181	(³)64.52
Kwek Holdings Pte Ltd	-	1,160,501	(³)64.52	-	1,346,181	(³)64.52
Mr Kwek Leng Beng	-	1,160,501	(³)64.52	-	1,346,181	(³)64.52
Davos Investment Holdings Private Limited	-	1,160,501	(³)64.52	-	1,346,181	(³)64.52
Mr Kwek Leng Kee	243	1,160,501	0.01	282	1,346,181	0.01
Mr Quek Leng Chye	-	1,160,501	(³)64.52	-	1,346,181	(³)64.52
Guoco Assets Sdn Bhd	-	1,157,927	(⁴)64.37	-	1,343,195	(⁴)64.37
GuoLine Overseas Limited	-	1,158,108	(⁵)64.38	-	1,343,405	(⁵)64.38
Guoco Group Limited	-	1,158,108	(⁵)64.38	-	1,343,405	(⁵)64.38
GuoLine Capital Assets Limited	-	1,160,501	(⁵)64.52	-	1,346,181	(⁵)64.52
Employees Provident Fund Board	246,397	-	13.70	285,821	-	13.70

INFORMATION ON OUR BANK (Cont'd)
Notes:

- (1) *Held through subsidiaries.*
 (2) *Held through HLCM.*
 (3) *Held through HLCM and company(ies) in which the Substantial Shareholder has interest.*
 (4) *Held through HLFGL.*
 (5) *Held through subsidiary(ies) and HLFGL.*

5. DIRECTORS' SHAREHOLDINGS

For illustration purposes, the pro forma effects of the Rights Issue on the shareholdings of our Directors as at the LPD, assuming our Directors fully subscribe for their entitlements under the Rights Issue (if any), are as follows:

Directors	As at the LPD			After the Rights Issue		
	Direct No. of HLB Shares (<i>'000</i>)	Indirect No. of HLB Shares (<i>'000</i>)	%	Direct No. of HLB Shares (<i>'000</i>)	Indirect No. of HLB Shares (<i>'000</i>)	%
YBhg Tan Sri Quek Leng Chan	-	(⁽¹⁾ 1,160,549	64.52	-	(⁽¹⁾ 1,346,237	64.52
Mr Tan Kong Khoon	-	-	-	-	-	-
Mr Kwek Leng Hai	4,750	-	0.26	5,510	-	0.26
Mr Quek Kon Sean	-	-	-	-	-	-
Ms Lim Lean See	-	-	-	-	-	-
YBhg Tan Sri A. Razak bin Ramli	-	-	-	-	-	-
Ms Chok Kwee Bee	-	-	-	-	-	-
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	-	-	-	-	-	-
YBhg Datuk Wira Azhar bin Abdul Hamid	-	-	-	-	-	-

Note:

- (1) *Held through HLCM and companies in which the Director has interest.*

INFORMATION ON OUR BANK (Cont'd)

6. SUBSIDIARIES AND ASSOCIATED COMPANIES

The details of our subsidiaries as at the LPD are as follows:

Company	Date and place of incorporation	Issued and paid-up share capital	Effective equity interest (%)	Principal activities
Our subsidiaries				
Hong Leong Islamic Bank Berhad	28 March 2005/ Malaysia	RM700,000,000	100	Islamic banking business and related financial services
Hong Leong Bank Vietnam Limited	9 July 2009/ Vietnam	Vietnamese Dong 3 trillion	100	Commercial banking
Hong Leong Bank (Cambodia) PLC	18 February 2013/ Cambodia	USD37,500,000	100	Commercial banking
HLF Credit (Perak) Bhd	27 December 1965/ Malaysia	RM2	100	Investment holding
HLB Nominees (Tempatan) Sdn Bhd	7 May 1979/ Malaysia	RM10,000	100	Agent and nominee for Malaysian clients
HLB Nominees (Asing) Sdn Bhd	2 January 1993/ Malaysia	RM10,000	100	Agent and nominee for foreign clients
HL Bank Nominees (Singapore) Pte Ltd	21 June 1977/ Singapore	Singapore Dollar 10,000	100	Agent and nominee for clients
HLB Trade Services (Hong Kong) Limited	14 May 2003/ Hong Kong Special Administrative Region of the People's Republic of China	Hong Kong Dollar 2	100	Ceased operations
HLB Principal Investments (L) Limited	29 February 2008/ Labuan	USD1	100	Holding of or dealing in offshore securities and investment holding

INFORMATION ON OUR BANK (Cont'd)

Company	Date and place of incorporation	Issued and paid-up share capital	Effective equity interest (%)	Principal activities
Prominic Berhad	25 March 2010/ Malaysia	RM2	100	To issue subordinated notes under a stapled securities structure and to on-lend the proceeds from the issuance to HLB
Promilia Berhad	29 November 1978/ Malaysia	RM2	100	Dormant
EB Nominees (Tempatan) Sendirian Berhad	30 November 1978/ Malaysia	RM10,000	100	Nominees services
EB Nominees (Asing) Sendirian Berhad	15 December 1995/ Malaysia	RM10,000	100	Nominees services
EB Realty Sendirian Berhad	22 December 1980/ Malaysia	RM100,000	100	Property investment
OBB Realty Sdn Bhd	23 March 1983/ Malaysia	RM330,000	100	Property investment
Subsidiaries of HLF Credit (Perak) Bhd				
Gensource Sdn Bhd	6 May 1968/ Malaysia	RM81,000	100	Investment holding
WTB Corporation Sdn Bhd	6 January 1955/ Malaysia	RM2	100	Investment holding
Chew Geok Lin Finance Sdn Bhd	23 August 1965/ Malaysia	RM2	100	Investment holding
Hong Leong Leasing Sdn Bhd	26 December 1975/ Malaysia	RM23,000,000	100	Investment holding
HL Leasing Sdn Bhd	20 October 1982/ Malaysia	RM15,000,002	100	Investment holding

INFORMATION ON OUR BANK (Cont'd)

Company	Date and place of incorporation	Issued and paid-up share capital	Effective equity interest (%)	Principal activities
HLB Realty Sdn Bhd	14 May 1980/ Malaysia	RM7,000,000	100	Real property investment and investment holding
Subsidiary of Gensource Sdn Bhd				
Pelita Terang Sdn Bhd	10 April 1985/ Malaysia	RM320,002	100	Dormant
Subsidiaries of WTB Corporation Sdn Bhd				
Wah Tat Nominees (Tempatan) Sdn Bhd	7 June 1984/ Malaysia	RM10,000	100	In members' voluntary winding-up
Wah Tat Nominees (Asing) Sdn Bhd	19 August 1995/ Malaysia	RM10,000	100	In members' voluntary winding-up
Subsidiary of HLB Principal Investments (L) Limited				
Promino Sdn Bhd	4 November 1963/ Malaysia	RM2	100	Ceased operations

The details of our associated companies as at the LPD are as follows:

Company	Date and place of incorporation	Issued and paid-up share capital	Effective equity interest (%)	Principal activities
Bank of Chengdu Co., Ltd	8 May 1997/ China	RMB3,251,026,200	20	Commercial banking
Community CSR Sdn Bhd	9 June 2011/ Malaysia	RM100,000	20	Investment holding

The details of our joint venture entity as at the LPD are as follows:

Company	Date and place of incorporation	Issued and paid-up share capital	Effective equity interest (%)	Principal activities
Sichuan Jincheng Consumer Finance Limited Company	26 February 2010/ China	RMB320,000,000	49	Consumer financing

INFORMATION ON OUR BANK (Cont'd)

7. PROFIT AND DIVIDEND RECORD

Our profit and dividend record based on our audited consolidated financial statements for the last 3 FYEs 30 June 2013 to 30 June 2015 and our unaudited consolidated financial statements for the 3-month FPE 30 September 2015 are set out below:

	Audited FYE 30 June			Unaudited 3-month FPE 30 September 2015
	2013 (RM'000)	2014 (RM'000)	2015 (RM'000)	(RM'000)
Revenue	4,006,795	4,039,059	4,066,948	1,023,236
Interest income	5,529,397	5,649,722	6,104,469	1,549,855
Interest expense	(3,015,730)	(2,987,498)	(3,363,273)	(889,898)
Net interest income	2,513,667	2,662,224	2,741,196	659,957
Income from Islamic banking business ⁽¹⁾	454,887	434,379	419,758	114,532
	2,968,554	3,096,603	3,160,954	774,489
Non-interest income	1,038,241	942,456	905,994	248,747
Total income/ Revenue	4,006,795	4,039,059	4,066,948	1,023,236
Overhead expenses	(1,847,025)	(1,792,213)	(1,813,859)	(462,741)
Operating profit before allowances	2,159,770	2,246,846	2,253,089	560,495
(Allowance for)/ write back of impairment losses on loans, advances and financing	(41,376)	(52,065)	51,929	(23,977)
Write back of impairment losses	7,474	39,815	23,462	2,849
	2,125,868	2,234,596	2,328,480	539,367
Share of results of associated company	264,005	368,490	401,277	80,406
Share of results of joint venture	3,074	10,135	16,401	5,061
PBT	2,392,947	2,613,221	2,746,158	624,834
Taxation	(536,675)	(510,951)	(512,971)	(121,873)
PAT	1,856,272	2,102,270	2,233,187	502,961
PAT attributable to owners of the parent	1,856,272	2,102,270	2,233,187	502,961
Weighted average number of HLB Shares in issue ('000)	1,754,344	1,761,195	1,766,724	1,765,239
Weighted average number of HLB Shares in issue after adjustment ⁽²⁾ ('000)	1,756,149	1,761,547	1,766,724	1,765,239
EPS for profit attributable to owners of the parent (sen):				
- Basic	105.8	119.4	126.4	28.5
- Diluted	105.7	119.3	126.4	28.5
Operating profit margin (%)	53.9	55.6	55.4	54.8
PAT margin (%)	46.3	52.0	54.9	49.2
Net dividend per share declared (sen)	33.8	41.0	41.0	n.a

INFORMATION ON OUR BANK (Cont'd)

Notes:

- (1) *Out of these, net profit income was RM423.8 million, RM407.3 million, RM399.2 million and RM100.5 million for the FYE 30 June 2013, FYE 30 June 2014, FYE 30 June 2015 and 3-month FPE 30 September 2015 respectively. Accordingly, total net interest/ profit income for our Group was RM2,937.5 million, RM3,069.5 million, RM3,140.4 million and RM760.4 million for the FYE 30 June 2013, FYE 30 June 2014, FYE 30 June 2015 and 3-month FPE 30 September 2015 respectively.*
- (2) *After adjusting for HLB Shares classified as treasury shares for ESOS.*

Commentary on financial performance:**FYE 30 June 2013**

For the FYE 30 June 2013, our Group recorded a PAT of RM1,856.3 million, which represented an increase of 6.5%, as compared to the previous financial year's restated figure of RM1,743.6 million. The restatement was mainly due to the retrospective application of Malaysian Financial Reporting Standards 139. Coupled with the impact from the enlarged equity base following the rights issue undertaken in the FYE 30 June 2012, return on equity ("ROE") was lower at 15.0% (compared to 18.0% in the FYE 30 June 2012) whilst EPS remained stable at 105.8 sen for the FYE 30 June 2013.

The higher profit was mainly driven by higher non-interest income, lower operating expenses with improved cost-to-income ratio ("CIR") of 46.1% (compared to 49.6% in the FYE 30 June 2012) and higher profit contribution from our associated company, Bank of Chengdu Co., Ltd ("BOCD"), whilst the net interest margin ("NIM") remained stable amid continuing pressure on new loan pricing in a competitive environment.

Gross loans and financing grew by 7.3% year-on-year ("y-o-y") to RM97.2 billion for the FYE 30 June 2013, led by growth in both retail and business sector. The retail sector continued to be driven by core segment of residential mortgages which expanded by 11.5% y-o-y. Loan growth for the small medium enterprise ("SME") segment grew by a strong 20.5% y-o-y to RM14.5 billion despite the challenges in operating environment and slowdown in the global economy.

Notwithstanding the loan growth, our Group's asset quality continued to improve with gross impaired loans ("GIL") ratio and loan impairment coverage ("LIC") at 1.4% and 131.3% respectively as at the FYE 30 June 2013.

FYE 30 June 2014

For the FYE 30 June 2014, our Group's PAT surpassed RM2.0 billion, with a 13.3% y-o-y growth to RM2.1 billion whilst our Group's gross loans and financing crossed RM100.0 billion to RM104.2 billion.

Net interest/ profit income (including Islamic portion) grew by 4.5% y-o-y to RM3,069.5 million, driven mainly by loan and financing expansion of 7.2% y-o-y despite the continued NIM compression during the financial year.

In respect of operating efficiencies, our Group's operating expense was lower by 3.0% y-o-y to RM1,792.2 million, despite the investment in new initiatives for future growth. Consequently, our Group's CIR improved further to 44.4%.

Our Group's total impairment charge for the financial year was lower at RM12.3 million, due to higher write-back of impairment losses on investment securities despite being partially offset by higher collective assessment allowances on the back of healthy loan growth.

INFORMATION ON OUR BANK (Cont'd)

Coupled with the higher profit contribution from BOCD which recorded a significant growth of 39.6%, our Group's PBT and PAT grew by 9.2% and 13.3% to RM2,613.2 million and RM2,102.3 million, respectively. Accordingly, our Group's ROE and EPS rose 15.3% and 119.4 sen respectively for the FYE 30 June 2014.

Retail segment continued to be the key growth driver contributing 67.6% of the total loan base led by residential mortgage which grew 14.0% y-o-y, whilst the business momentum for SME segment continued with a 12.3% y-o-y growth.

Our Group continued to uphold the asset quality with GIL ratio improving further to 1.2% and LIC at 128.9% as at the FYE 30 June 2014.

FYE 30 June 2015

For the FYE 30 June 2015, our Group achieved a PAT of RM2,233.2 million, which represented a 6.2% y-o-y growth, bolstered by improved net interest income, write-back of loan impairment allowances following improvement in asset quality and higher profit contribution from our associated companies. ROE for the financial year was at 14.3% whilst NA per share and EPS rose to RM9.51 and 126.4 sen respectively, in line with our continuous effort in enhancing shareholders' value.

Net interest/ profit income (including Islamic portion) improved by 2.3% y-o-y to RM3,140.4 million largely on the back of enlarged loan/ financing base and expansion in securities portfolio. NIM was above 2.0% amidst pressure from intensified competition for both loans and deposits.

During the FYE 30 June 2015, total operating expenses grew a marginal 1.2% to RM1,813.9 million, translating into CIR of 44.6%. However, expenses from our business-as-usual operations were managed down by 1.7% y-o-y and the savings were reinvested into new investments to ensure sustainability of future business growth.

Gross loans and financing continued to gain pace, expanding by 8.9% y-o-y to close at RM113.4 billion as at the FYE 30 June 2015. Retail segment remained the key growth driver, contributing 68.5% to our Group's total loan portfolio, led by growth in mortgages and transport vehicle loans. Business loan growth continued to be driven by the SME segment, which grew 9.1% y-o-y, amidst a challenging and highly competitive business environment. Loan was also supported by our overseas operations which recorded a strong 34.3% y-o-y loan expansion, led mainly by Singapore and Cambodia.

Despite the accelerated growth in loans and financing, GIL ratio continued to improve by 35 basis points to 0.8% while LIC strengthened to 136.3%, on the back of our prudent credit risk management and proactive recovery management.

Unaudited 3-month FPE 30 September 2015

For the 3-month FPE 30 September 2015, our Group recorded a lower PAT at RM503.0 million compared to RM547.6 million for the FPE 30 September 2014, mainly due to higher net allowance for impairment losses on loans as a result of lower write-back of collective assessment and lower recoveries from bad debt written off, as well as lower profit contribution from BOCD.

Total income improved by 0.9% to RM1,023.2 million from RM1,014.6 million in the previous corresponding period, driven mainly by higher non-interest income. Net interest/ profit income (including Islamic portion) came in lower at RM760.4 million, compared against RM821.5 million recorded in the previous corresponding period, underpinned mainly by higher funding cost as a result of intensifying deposits competition over the past one year.

INFORMATION ON OUR BANK (Cont'd)

Total operating expenses increased by 7.8% to RM462.7 million from RM429.1 million in the previous corresponding period mainly due to higher personnel cost. In this regard, as part of our Group's initiative to strengthen operational efficiencies in a challenging operating environment, our Group has announced a mutual separation scheme on 20 October 2015.

Gross loans and financing increased by 11.5% to RM116.3 billion as at 30 September 2015 from RM104.4 billion as at 30 September 2014, with a broad base loans expansion from our retail segment, business and corporate segment, as well as overseas operations, whilst our Group continued to uphold the asset quality with GIL ratio of 0.8% and LIC of 131.0% respectively.

8. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of HLB Shares traded on Bursa Securities for the past 12 months from November 2014 to October 2015 are as follows:

	High	Low
	(RM)	(RM)
2014		
November	14.68	14.10
December	14.40	13.70
2015		
January	14.58	13.70
February	14.38	14.00
March	14.48	14.02
April	14.82	13.96
May	14.20	13.50
June	13.90	13.30
July	13.76	13.22
August	13.62	12.30
September	13.58	12.82
October	14.30	13.20

Last transacted market price of HLB Shares on 11 August 2015, being the last Market Day immediately prior to the announcement of the Rights Issue RM13.18

Last transacted market price of HLB Shares as at the LPD RM13.98

Last transacted market price of HLB Shares on 24 November 2015, being the last Market Day immediately prior to the ex-date for the Rights Issue RM13.74

(Source: Bloomberg Finance L.P.)

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR BANK AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON



The Board of Directors
Hong Leong Bank Berhad
Level 8, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur

18 November 2015

PwC/EN/FML/TCK/lh/0196C

Dear Sirs,

Hong Leong Bank Berhad
Report on the Compilation of Pro Forma Consolidated Statements of Financial Position
as at 30 June 2015

- 1 We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statements of Financial Position of Hong Leong Bank Berhad (“HLB” or “the Bank”) as at 30 June 2015. The Pro Forma Consolidated Statements of Financial Position which are set out in the Appendix (which we have stamped for the purpose of identification), have been compiled by the Directors of the Bank for inclusion in the Abridged Prospectus, in connection with the renounceable rights issue of 287,809,184 new ordinary shares of RM1.00 each in the Bank (“HLB Shares”) (“Rights Shares”) on the basis of 4 Rights Shares for every 25 existing HLB Shares held as at 5.00 p.m. on 27 November 2015, at an issue price of RM10.40 per Rights Share (“the Rights Issue”).
- 2 The applicable criteria on the basis of which the Directors have compiled the Pro Forma Consolidated Statements of Financial Position are described in the Notes thereon of the Appendix and are specified in Appendix 4 of the *Prospectus Guidelines – Abridged Prospectus* issued by the Securities Commission Malaysia.
- 3 The Pro Forma Consolidated Statements of Financial Position have been compiled by the Directors, for illustrative purposes only, to show the effects of the Completed Transaction (as set out in Note 3 of the Appendix) and the Rights Issue on the audited consolidated statement of financial position of the Bank as at 30 June 2015 had the Completed Transaction and the Rights Issue been effected on that date. As part of this process, information about the Bank’s consolidated financial position has been extracted by the Directors from the Bank’s audited consolidated statement of financial position as at 30 June 2015.

*PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my*

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR BANK AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)



**The Board of Directors
Hong Leong Bank Berhad
PwC/EN/FML/TCK/lh/0196C
18 November 2015**

The Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

- 4 The Directors are responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis set out in the Notes thereon of the Appendix and in accordance with the requirements of the *Prospectus Guidelines – Abridged Prospectus* issued by the Securities Commission Malaysia.

Our Responsibilities

- 5 Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Directors on the basis set out in the Notes thereon of the Appendix.
- 6 We conducted our engagement in accordance with International Standard on Assurance Engagements (“ISAE”) 3420 “*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*”, issued by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis set out in the Notes thereon of the Appendix.
- 7 For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.
- 8 The purpose of the Pro Forma Consolidated Statements of Financial Position included in the Abridged Prospectus, is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at that date would have been as presented.

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR BANK AS AT
30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON
(Cont'd)**



**The Board of Directors
Hong Leong Bank Berhad
PwC/EN/FML/TCK/lh/0196C
18 November 2015**

Our Responsibilities (continued)

- 9 A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:
- The related Pro Forma adjustments give appropriate effect to those criteria; and
 - The Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.
- 10 The procedures selected depend on our judgment, having regard to our understanding of the nature of the Bank and its subsidiaries, the event or transaction in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances. The engagement also involved evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.
- 11 We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

- 12 In our opinion, the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis set out in the Notes thereon of the Appendix.

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR BANK AS AT
30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON
(Cont'd)**



**The Board of Directors
Hong Leong Bank Berhad
PwC/EN/FML/TCK/lh/0196C
18 November 2015**

Other Matters

- 13 This report is issued for the sole purpose of inclusion in the Abridged Prospectus, in connection with the Rights Issue and should not be used or relied upon for any other purpose. We accept no duty of responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any transaction other than the Rights Issue.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', with a long horizontal flourish extending to the right.

PricewaterhouseCoopers
(No. AF: 1146)
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Ng Yee Ling', with a horizontal flourish extending to the right.

Ng Yee Ling
(No. 3032/01/17 (J))
Chartered Accountant

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR BANK AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

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HONG LEONG BANK BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015

The Pro Forma Consolidated Statements of Financial Position of Hong Leong Bank Berhad (“HLB” or “the Bank”) as set out below have been prepared solely for illustrative purposes only, to show the effects on the audited consolidated statement of financial position of HLB as at 30 June 2015 had the Completed Transaction and the Rights Issue as set out in Note 3 and Note 4 respectively, been effected on that date:

	Audited 30.6.2015 RM'000	After Completed Transaction		After Pro Forma 1 and Rights Issue	
		Adjustments RM'000	Pro Forma 1 RM'000	Adjustments RM'000	Pro Forma 2 RM'000
ASSETS					
Cash and short-term funds	6,230,283	(14,204)	6,216,079	2,928,875	9,144,954
Deposits and placements with banks and other financial institutions	3,982,119	-	3,982,119	-	3,982,119
Securities purchased under resale agreements	12,163,252	-	12,163,252	-	12,163,252
Financial assets held-for-trading	7,131,434	-	7,131,434	-	7,131,434
Financial investments available-for-sale	20,307,353	-	20,307,353	-	20,307,353
Financial investments held-to-maturity	9,950,081	-	9,950,081	-	9,950,081
Loans, advances and financing	112,124,109	-	112,124,109	-	112,124,109
Other assets	1,295,419	-	1,295,419	-	1,295,419
Derivative financial instruments	1,424,929	-	1,424,929	-	1,424,929
Statutory deposits with Bank Negara Malaysia	3,476,192	-	3,476,192	-	3,476,192
Investment in joint venture	128,790	-	128,790	-	128,790
Investment in associated companies	2,977,776	-	2,977,776	-	2,977,776
Property and equipment	678,579	-	678,579	-	678,579
Intangible assets	318,107	-	318,107	-	318,107
Goodwill	1,831,312	-	1,831,312	-	1,831,312
TOTAL ASSETS	184,019,735	(14,204)	184,005,531	2,928,875	186,934,406



PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR BANK AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

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HONG LEONG BANK BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 (CONTINUED)

	Audited 30.6.2015 RM'000	After Completed Transaction		After Pro Forma 1 and Rights Issue	
		Adjustments RM'000	Pro Forma 1 RM'000	Adjustments RM'000	Pro Forma 2 RM'000
LIABILITIES					
Deposits from customers	140,276,148	-	140,276,148	-	140,276,148
Deposits and placements of banks and other financial institutions	7,096,231	-	7,096,231	-	7,096,231
Obligations on securities sold under repurchase agreements	3,691,338	-	3,691,338	-	3,691,338
Bills and acceptances payable	1,900,967	-	1,900,967	-	1,900,967
Derivative financial instruments	1,287,726	-	1,287,726	-	1,287,726
Other liabilities	3,901,119	-	3,901,119	-	3,901,119
Senior bonds	2,286,380	-	2,286,380	-	2,286,380
Tier 2 subordinated bonds	4,619,812	-	4,619,812	-	4,619,812
Non-innovative Tier 1 stapled securities	1,410,869	-	1,410,869	-	1,410,869
Innovative Tier 1 capital securities	530,223	-	530,223	-	530,223
Taxation	152,240	-	152,240	-	152,240
Deferred tax liabilities	77,090	-	77,090	-	77,090
TOTAL LIABILITIES	167,230,143	-	167,230,143	-	167,230,143
EQUITY					
Share capital	1,879,909	-	1,879,909	287,809	2,167,718
Reserves	15,558,271	-	15,558,271	2,698,406	18,256,677
Less: Treasury shares	(648,588)	(14,204)	(662,792)	(57,340)	(720,132)
TOTAL EQUITY	16,789,592	(14,204)	16,775,388	2,928,875	19,704,263
TOTAL EQUITY AND LIABILITIES	184,019,735	(14,204)	184,005,531	2,928,875	186,934,406



PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR BANK AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

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HONG LEONG BANK BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 (CONTINUED)

	Audited <u>30.6.2015</u> RM'000	After Completed Transaction <u>Pro Forma 1</u> RM'000	After Pro Forma 1 and Rights Issue <u>Pro Forma 2</u> RM'000
No of ordinary shares in circulation (excluding treasury shares) ('000 units)	1,765,434	1,764,348	2,046,644
Net assets attributable to ordinary equity holders of HLB (RM'000)	16,789,592	16,775,388	19,704,263
Net tangible assets attributable to ordinary equity holders of HLB (RM'000)	14,640,173	14,625,969	17,554,844
Net assets per share attributable to ordinary equity holders of HLB (RM)	9.51	9.51	9.63
Net tangible assets per share attributable to ordinary equity holders of HLB (RM)	<u>8.29</u>	<u>8.29</u>	<u>8.58</u>



PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR BANK AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

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HONG LEONG BANK BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 AND THE NOTES THEREON

1 INTRODUCTION

- 1.1 The Pro Forma Consolidated Statements of Financial Position as at 30 June 2015 together with the Notes thereon (collectively known as "Pro Forma Consolidated Statements of Financial Position") of HLB and its subsidiaries ("HLB Group"), for which the Directors of HLB are solely responsible, have been prepared for illustrative purposes only, for the purpose of inclusion in the Abridged Prospectus in connection with the renounceable rights issue of 287,809,184 new ordinary shares of RM1.00 each in the Bank ("HLB Shares") ("Rights Shares") on the basis of 4 Rights Shares for every 25 existing HLB Shares held as at 5.00 p.m. on 27 November 2015 ("Entitlement Date"), at an issue price of RM10.40 per Rights Share ("the Rights Issue"). The Pro Forma Consolidated Statements of Financial Position show the effects of the Completed Transaction referred to in Note 3 and the Rights Issue referred to in Note 4 below undertaken by HLB Group and may not, because of its nature, reflect the actual financial position of HLB Group.
- 1.2 As the Pro Forma Consolidated Statements of Financial Position are prepared for illustrative purposes only, such information because of its nature, does not give a true picture of the effects of the Rights Issue on the financial position of HLB Group had the transactions or events occurred on 30 June 2015. Further, such information does not purport to predict HLB Group's future financial position.

2 BASIS OF PREPARATION

- 2.1 The Pro Forma Consolidated Statements of Financial Position have been prepared based on the audited consolidated statement of financial position of HLB Group as at 30 June 2015 and were prepared:
- (a) in accordance with Malaysian Financial Reporting Standards (MFRS) and International Financial Reporting Standards (IFRS), had the Completed Transaction described in Note 3 and the Rights Issue described in Note 4 been completed on that date; and
- (b) in a manner consistent with both the format of the audited consolidated financial statements and the accounting policies of HLB Group for the financial year ended 30 June 2015.

3 COMPLETED TRANSACTION

As at 30 June 2015, HLB has a total of 33,372,900 HLB Shares held as treasury shares for Executive Share Option Scheme ("ESOS").

Buy-back of treasury shares held in trust for the ESOS ("Trust Shares")

Between 1 July 2015 and 31 October 2015, being the latest practicable date ("the LPD"), HLB has bought back 1,086,300 Trust Shares from the open market at an average price of RM13.08, which were satisfied by total purchase consideration of approximately RM14.2 million.



PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR BANK AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

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HONG LEONG BANK BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 AND THE NOTES THEREON (CONTINUED)

4 RIGHTS ISSUE

At the extraordinary general meeting held on 29 September 2015, the shareholders of HLB have approved the Rights Issue.

In accordance with the terms of the Rights Issue as approved by the relevant authorities as well as HLB's shareholders and subject to the terms of the Abridged Prospectus, HLB will provisionally allot 287,809,184 Rights Shares to the shareholders of HLB whose names appear in HLB's record of depositors on the Entitlement Date ("Entitled Shareholders"), on the basis of 4 Rights Shares for every 25 existing HLB Shares held on the Entitlement Date, at an issue price of RM10.40 per Rights Share. The Rights Issue will raise gross proceeds of approximately RM3.0 billion.

The issue price of RM10.40 per Rights Share was determined by the Board of Directors of HLB after taking into consideration, amongst others, the following:

- (i) the issued and paid-up share capital of HLB as at the Entitlement Date;
- (ii) the prevailing market conditions; and
- (iii) a discount of approximately RM3.05 or 22.7% to the resultant theoretical ex-rights price ("TERP") of RM13.45, calculated based on the 5-day volume-weighted average market price ("VWAMP") of RM14.20 per HLB Share up to and including 22 October 2015, being the last market day immediately preceding the price-fixing date and after adjusting for the final single-tier dividend per HLB Share of 26 sen, which was paid on 18 November 2015.

The Rights Issue is undertaken on a full subscription basis. In this respect, HLB has procured undertakings from its shareholders, namely Hong Leong Financial Group Berhad ("HLFG") and Hong Leong Equites Sdn Bhd ("HLE") to subscribe and/or procure the subscription in full for their respective entitlements to the Rights Shares. The remaining portion of the Rights Shares for which no undertaking has been provided will be fully underwritten by underwriters.

The gross proceeds from the Rights Issue after defraying the estimated expenses to be incurred of approximately RM7.0 million, will be utilised for working capital and general banking purposes.

5 EFFECTS ON PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Pro Forma Consolidated Statements of Financial Position of HLB Group have been prepared solely for illustrative purposes only, to show the effects on the audited consolidated statements of financial position of HLB Group as at 30 June 2015 had the Completed Transaction and the Rights Issue as set out in Note 3 and Note 4 respectively, been effected on that date.

5.1 Pro Forma 1

Pro Forma 1 incorporates the effects of Completed Transaction as detailed in Note 3.



PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR BANK AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

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HONG LEONG BANK BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 AND THE NOTES THEREON (CONTINUED)

5 EFFECTS ON PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

5.2 Pro Forma 2

Pro Forma 2 incorporates the effects of Pro Forma 1 and the Rights Issue as detailed in Note 4.

For illustrative purposes, the Pro Forma 2 assumes that:

- (i) the number of Rights Shares to be issued is 287,809,184 new HLB Shares on the basis of 4 Rights Shares for every 25 existing HLB Shares held by the Entitled Shareholders, at an issue price of RM10.40 per Rights Share. The issue price of RM10.40 represents a discount of approximately RM3.05 or 22.7% to the TERP of RM13.45, calculated based on the 5-day VWAMP of HLB Shares up to and including 22 October 2015, being the last market day immediately preceding the price-fixing date of RM14.20 and after adjusting for the final single-tier dividend per HLB Share of 26 sen, which was paid on 18 November 2015;
- (ii) the estimated expenses in relation to the Rights Issue of RM7.0 million are debited against share premium account; and
- (iii) the Rights Issue is undertaken on a full subscription basis. HLB has procured undertakings from its shareholders, namely HCFG and HLE, to subscribe and/or procure the subscription in full for their respective entitlements to the Rights Shares and the remaining portion of the Rights Shares for which no undertaking has been provided will be fully underwritten by underwriters.

5.3 Reconciliation of HLB Group cash and short-term funds

	RM'000
Audited as at 30.6.2015	6,230,283
Adjustments for Completed Transaction:	
- Buy-back of Trust Shares	(14,204)
Pro Forma 1	<u>6,216,079</u>
Adjustments for Rights Issue:	
- Proceeds from Rights Issue	2,935,875 *
- Estimated expenses relating to Rights Issue	(7,000)
Total adjustments for Rights Issue	<u>2,928,875</u>
Pro Forma 2	<u><u>9,144,954</u></u>

Note*: This amount excludes the rights subscription amounting to approximately RM57.3 million in relation to the Trust Shares as this is a non-cash transaction for HLB Group.



PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR BANK AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

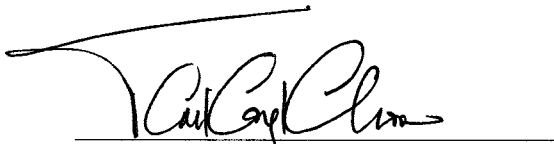
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HONG LEONG BANK BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 AND THE NOTES THEREON (CONTINUED)

APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of HLB in accordance with a resolution dated 18 November 2015.



TAN KONG KHOON
DIRECTOR
Hong Leong Bank Berhad

mm



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON

Hong Leong Bank Berhad

Company no: 97141-X

(Incorporated in Malaysia)

Reports and financial statements for the financial year ended 30 June 2015



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

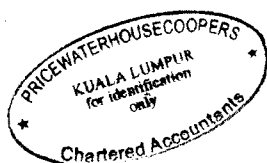
Hong Leong Bank Berhad

Company no: 97141-X

(Incorporated in Malaysia)

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for the financial year ended 30 June 2015****Contents**

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Bank Berhad

Company No: 97141-X
(Incorporated in Malaysia)

**Directors' report
for the financial year ended 30 June 2015**

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 30 June 2015.

Principal activities

The Bank is principally engaged in all aspects of commercial banking business and in the provision of related services. The principal activity of the significant subsidiary consists of Islamic Banking services. Other subsidiary companies are primarily engaged in real property investment, investment holding and nominee services. The details of the subsidiary companies are disclosed in Note 11 to the financial statements.

Business Strategy for the Current Financial Year

Notwithstanding the current challenges in 2015, the Malaysian economy is expected to gradually improve supported by moderate growth in domestic demand. Despite the prevailing headwinds, the Group remains focused on accelerating business performance to achieve financial sustainability through a full Universal Banking Model in the domestic market whilst deepening our niche market offering in regional businesses.

Earning customer advocacy remains an important agenda as we continue to embed service excellence by enhancing customer experience. The Group continues to focus on digitisation efforts, improving analytics for deeper customer engagement and aiming to reinforce the connections between branches and their respective communities.

In addition, the Group has made good progress in rolling out digital initiatives particularly in the e-payment and mobile banking capabilities for both our domestic and regional markets, creating new business value for the Group.

Outlook and Business Plan for New Financial Year

Moving in to 2016, the global economy is expected to remain on a steady growth path as uncertainties surrounding global monetary policy unwinds and global commodity prices recover.

In tandem with this, growth prospect of the Malaysian economy is also expected to improve moderately in 2016, as consumer demand normalises following the government's efforts of fiscal reform via subsidy rationalisation and GST implementation. Rebound in domestic demand aside, improving external environment is expected to lend further support to the Malaysian economy, which is expected to see sustained growth in 2016, from the estimated 4.5%-5.5% in 2015.

Against this backdrop, the Malaysian banking sector will continue to see resilient loan growth underpinned by demand from both the household and business sectors. The banking sector shall remain well-capitalised with ample liquidity and stable asset quality. Meanwhile, intense competition amidst an increasingly regulated business environment would continue to exert pressure on bank's margins.

In spite of the increasingly competitive landscape, the Group's strategy moving into the financial year remains unchanged. It is imperative that the Group continues focusing on building a high performance business and strengthening the foundations for sustainable profitability through various initiatives that were put in place over the last year. We continue to place strong emphasis on scaling efficiency and productivity through strategic cost and portfolio management, embedding service excellence through multi-channel customer management to optimize customer experience whilst at the same time continues enhancing digitisation efforts to offer "Best-in-Class" digital platform and e-payment capabilities.

With these strategic focuses in place, the Group is committed to provide added value service to our customers, particularly in our regional wealth management and digital banking propositions to individual and e-payment as well as treasury product offerings to our Corporate & Small and Medium Enterprise customers.

For our regional business growth, we will strengthen our core businesses by focusing on appropriate customer segments and scalable business propositions, which would create substantive business value, supported by our strong digital offerings. Mergers and acquisitions are opportunistic in nature and we would continue to explore them as opportunities arise.



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Bank Berhad

Company No: 97141-X
(Incorporated in Malaysia)

**Directors' report
for the financial year ended 30 June 2015 (continued)**

Performance Review and Management Reports

The Board receives and reviews regular reports from the Management on key financial and operating statistics as well as legal and regulatory matters. The performance of each business unit is assessed against the approved budgets and business objectives whilst explanation is provided for significant variances.

Credit information rating

On 21 November 2014, Rating Agency Malaysia Berhad has reaffirmed the Bank's long-term rating at AA1 and its short-term rating at P1, with stable outlook.

The ratings indicate that in the long-term, the Bank is adjudged to offer high safety for timely payment of financial obligations while in the short-term, the Bank is adjudged to have superior capacities for timely payment of obligations.

Details of the rating of the Bank and its debt securities are as follows:

<u>Rating Agency</u>	<u>Date Accorded</u>	<u>Rating Classification</u>
Rating Agency Malaysia Berhad	21-Nov-14	Long-Term Rating: AA1
		Short-Term Rating: P1
		Subordinated Notes: AA2
		Tier 1 Capital Securities: AA3
Moody's Investors Services Ltd	16-Jun-15	Long-Term Rating: A3
		Short-Term Rating: P2
	16-Jun-15	Senior Unsecured: A3
Fitch Ratings Ltd	9-Sep-15	Long-Term Rating: BBB+
		Short-Term Rating: F2
	9-Sep-15	Senior Unsecured: BBB+



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Bank Berhad

Company No: 97141-X
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**Directors' report
for the financial year ended 30 June 2015 (continued)**
Financial results

	The Group RM'000	The Bank RM'000
Profit before taxation	2,746,158	2,279,191
Taxation	(512,971)	(503,228)
Net profit for the financial year	<u>2,233,187</u>	<u>1,775,963</u>

Dividends

Since the last financial year ended 30 June 2014, a final single tier dividend of 26.0 sen per share amounting to RM459,573,348 in respect of the financial year ended 30 June 2014, was paid on 18 November 2014.

An interim single tier dividend for the financial year ended 30 June 2015 of 15.0 sen per share amounting to RM265,197,090 was paid on 26 March 2015.

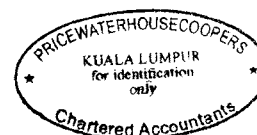
The Directors now propose a final single tier dividend of 26.0 sen per share on the Bank's adjusted issued and paid-up share capital (excluding the 81,101,700 treasury shares held pursuant to Section 67A of the Companies Act, 1965 and ESOS scheme of 33,372,900 shares) of RM1,765,434,500 comprising 1,765,434,500 shares, amounting to RM459,012,970 for the financial year ended 30 June 2015.

Significant events during the financial year

Significant events during the financial year are disclosed in Note 50 to the financial statements.

Subsequent events after the financial year

Subsequent events after the financial year are disclosed in Note 51 to the financial statements.



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Bank Berhad

Company No: 97141-X
(Incorporated in Malaysia)

**Directors' report
for the financial year ended 30 June 2015 (continued)**
Share capital

During the financial year, there was no issuance of new ordinary shares. As at 30 June 2015, the issued and paid-up share capital of the Bank is RM1,879,909,100 comprising 1,879,909,100 ordinary shares of RM1.00 each.

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

Directors

The Directors who have held office since the date of the last report and at the date of this report are as follows:

YBhg Tan Sri Quek Leng Chan	(Chairman, Non-Executive Non-Independent)
Mr Tan Kong Khoon	(Group Managing Director/Chief Executive Officer, Non-Independent)
Mr Kwek Leng Hai	(Non-Independent Non-Executive Director)
Mr Quek Kon Sean	(Non-Independent Non-Executive Director)
Ms Lim Lean See	(Independent Non-Executive Director)
YBhg Tan Sri A. Razak bin Ramli	(Independent Non-Executive Director)
Ms Chok Kwee Bee	(Independent Non-Executive Director)
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	(Independent Non-Executive Director)
YBhg Datuk Wira Azhar bin Abdul Hamid	(Independent Non-Executive Director)
Mr Lim Beng Choon	(Appointed with effect from 15 May 2015)
	(Independent Non-Executive Director)
	(Retired with effect from 24 October 2014)
YBhg Dato' Mohamed Nazim bin Abdul Razak	(Independent Non-Executive Director)
	(Resigned with effect from 1 July 2015)
Mr Choong Yee How	(Non-Independent Non-Executive Director)
	(Resigned with effect from 21 September 2015)



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)
Hong Leong Bank Berhad

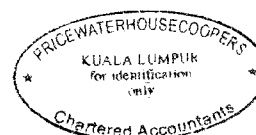
Company No: 97141-X
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**Directors' report
for the financial year ended 30 June 2015 (continued)**
Directors' interests

According to the Register of Directors' Shareholdings kept by the Bank under Section 134 of the Companies Act, 1965, the Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares and/or preference shares and/or options over ordinary shares of the Bank and/or its related corporations during the financial year are as follows:

Shareholdings in which Directors have direct interests
Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/conversion of redeemable convertible unsecured loan stocks** or redeemable convertible cumulative preference shares***

	Nominal value per share RM	As at 01.07.2014	Acquired	Sold	As at 30.06.2015
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	390,000	-	-	390,000
Hong Leong Financial Group Berhad	1.00	4,989,600	-	-	4,989,600
Guoco Group Limited	USD0.50	1,056,325	-	-	1,056,325
GuocoLand Limited	(1)	13,333,333	-	-	13,333,333
GuocoLand (Malaysia) Berhad	0.50	19,506,780	-	-	19,506,780
GuocoLeisure Limited	USD0.20	735,000	-	-	735,000
The Rank Group Plc	GBP13 ^{8/9} p	285,207	-	-	285,207
Interests of Mr Kwek Leng Hai in:					
Hong Leong Company (Malaysia) Berhad	1.00	420,500	-	-	420,500
Hong Leong Industries Berhad	0.50	190,000	-	-	190,000
Hong Leong Financial Group Berhad	1.00	2,316,800	-	-	2,316,800
Hong Leong Bank Berhad	1.00	4,750,000	-	-	4,750,000
Hume Industries Berhad (formerly known as Narra Industries Berhad)	1.00	-	205,200 (12)	-	205,200
Guoco Group Limited	USD0.50	3,800,775	-	-	3,800,775
GuocoLand Limited	(1)	35,290,914	-	-	35,290,914
Lam Soon (Hong Kong) Limited	(5)	2,300,000	-	-	2,300,000
GuocoLand (Malaysia) Berhad	0.50	226,800	-	-	226,800
Malaysian Pacific Industries Berhad	0.50	71,250	-	-	71,250
The Rank Group Plc	GBP13 ^{8/9} p	1,026,209	-	-	1,026,209
Interest of Mr Choong Yee How in:					
Hong Leong Financial Group Berhad	1.00	3,100,000	1,750,000 (16)	(1,200,000)	3,650,000
		1,750,000 *	-	(1,750,000) (16)	-
Interest of Mr Quek Kon Sean in:					
Hong Leong Financial Group Berhad	1.00	2,175,000	900,000 (16)	(825,000)	2,250,000
		900,000 *	-	(900,000) (16)	-
Interest of Mr Tan Kong Khoon in:					
Hong Leong Bank Berhad		-	8,000,000 *	-	8,000,000 *



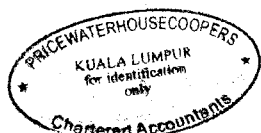
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)
Hong Leong Bank Berhad

 Company No: 97141-X
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**Directors' report
for the financial year ended 30 June 2015 (continued)**
Directors' interests (continued)

Shareholdings in which Directors have deemed interests
Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired
arising from the exercise of options*/conversion of redeemable convertible unsecured loan stocks**
or redeemable convertible cumulative preference shares***

	Nominal value per share RM	As at 01.07.2014	Acquired	Sold	As at 30.06.2015
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	13,069,100	-	-	13,069,100
Hong Leong Financial Group Berhad	1.00	824,437,300	-	-	824,437,300
Hong Leong Capital Berhad	1.00	200,805,058	-	-	200,805,058
Hong Leong Bank Berhad	1.00	1,160,549,285	-	-	1,160,549,285
Hong Leong MSIG Takaful Berhad	1.00	65,000,000	-	-	65,000,000
Hong Leong Assurance Berhad	1.00	140,000,000	-	-	140,000,000
Hong Leong Industries Berhad ("HLI")	0.50	246,136,603 ⁽⁶⁾	-	(701,600)	245,435,003 ⁽⁶⁾
Hong Leong Yamaha Motor Sdn Bhd	1.00	17,352,872	-	-	17,352,872
	1.00	6,941 ⁽⁷⁾	-	(6,941) ⁽⁷⁾⁽¹⁰⁾	-
Guocera Tile Industries (Meru) Sdn Bhd	1.00	19,600,000	-	-	19,600,000
Hong Leong Maruken Sdn Bhd (In members' voluntary liquidation)	1.00	1,750,000	-	-	1,750,000
Century Touch Sdn Bhd (In members' voluntary liquidation)	1.00	6,545,001	-	-	6,545,001
Varinet Sdn Bhd (In members' voluntary liquidation)	1.00	10,560,627	-	-	10,560,627
RZA Logistics Sdn Bhd (In members' voluntary liquidation)	1.00	7,934,247	-	(7,934,247) ⁽¹¹⁾	-
Malaysian Pacific Industries Berhad	0.50	111,951,357 ⁽⁶⁾	266,500	-	112,217,857 ⁽⁶⁾
Carter Realty Sdn Bhd	1.00	5,640,607	-	-	5,640,607
Carsem (M) Sdn Bhd	1.00	84,000,000	-	-	84,000,000
	100.00	22,400 ⁽⁷⁾	-	-	22,400 ⁽⁷⁾
Hume Industries Berhad (formerly known as Narra Industries Berhad) ("HIB")	1.00	37,853,100	339,175,511 ⁽⁶⁾⁽¹²⁾	(4,238,328) (17,387,700) ⁽⁶⁾⁽¹³⁾ (1,029,537) ⁽¹⁴⁾	354,373,046 ⁽⁶⁾
Guoco Group Limited	USD0.50	237,124,930	-	-	237,124,930
GuocoLand Limited ⁽¹⁾		819,244,363 ⁽⁶⁾	-	-	819,244,363 ⁽⁶⁾
Southern Steel Berhad ("SSB")	1.00	301,541,202	-	(2,000,000)	299,541,202
		-	141,627,296 ⁽⁹⁾	-	141,627,296 ⁽⁹⁾
Southern Pipe Industry (Malaysia) Sdn Bhd	1.00	118,822,953	-	-	118,822,953
	1.00	20,000,000 ⁽⁸⁾	-	-	20,000,000 ⁽⁸⁾
Belmeth Pte. Ltd. ⁽¹⁾		40,000,000	-	-	40,000,000
Guston Pte. Ltd. ⁽¹⁾		8,000,000	-	-	8,000,000
Perfect Eagle Pte. Ltd. ⁽¹⁾		24,000,000	-	-	24,000,000



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)
Hong Leong Bank Berhad

 Company No: 97141-X
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**Directors' report
 for the financial year ended 30 June 2015 (continued)**
Directors' interests (continued)

	Nominal value per share RM	Shareholdings in which Directors have deemed interests			As at 30.06.2015
		Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/conversion of redeemable convertible unsecured loan stocks** or redeemable convertible cumulative preference shares***	As at 01.07.2014	Acquired	
Interests of YBhg Tan Sri Quek Leng Chan in: (continued)					
First Garden Development Pte Ltd (In members' voluntary liquidation)	(1)	63,000,000	-	-	63,000,000
Sanctuary Land Pte Ltd (In members' voluntary liquidation)	(1)	90,000	-	-	90,000
Beijing Minghua Property Development Co., Ltd (In members' voluntary liquidation)	(2)	150,000,000	-	-	150,000,000
Nanjing Mahui Property Development Co., Ltd	(2)	271,499,800	-	(271,499,800)	-
Shanghai Xinhaojia Property Development Co., Ltd	(2)	3,150,000,000	-	-	3,150,000,000
Shanghai Xinhaozhong Property Development Co., Ltd	(3)	19,600,000	-	-	19,600,000
Beijing Cheng Jian Dong Hua Real Estate Development Company Limited	(2)	50,000,000	-	-	50,000,000
Lam Soon (Hong Kong) Limited	(5)	140,008,659	-	-	140,008,659
Kwok Wah Hong Flour Company Limited (In members' voluntary liquidation)	(5)	9,800	-	-	9,800
Guangzhou Lam Soon Food Products Limited	(4)	6,570,000	-	-	6,570,000
GuocoLand (Malaysia) Berhad	0.50	456,055,616	-	(357,020)	455,698,596
Guoman Hotel & Resort Holdings Sdn Bhd	1.00	277,000,000	-	-	277,000,000
JB Parade Sdn Bhd	1.00	28,000,000	-	-	28,000,000
	0.01	68,594,000 ⁽⁷⁾	-	-	68,594,000 ⁽⁷⁾
Continental Estates Sdn Bhd	1.00	30,051,174 ⁽¹⁵⁾	4,356,826	-	34,408,000
	0.01	107,903,020 ⁽⁷⁾⁽¹⁵⁾	15,599,585 ⁽⁷⁾	-	123,502,605 ⁽⁷⁾
GuocoLeisure Limited	USD0.20	923,255,425	-	-	923,255,425
The Rank Group Plc	GBP13 ⁸⁹ p	268,194,969	1,087,252	(50,000,000)	219,282,221

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)
Hong Leong Bank Berhad

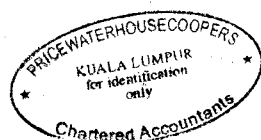
Company No: 97141-X
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**Directors' report
for the financial year ended 30 June 2015 (continued)**
Directors' interests (continued)

	Nominal value per share RM	Shareholdings in which Directors have deemed interests			As at 30.06.2015
		Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/conversion of redeemable convertible unsecured loan stocks** or redeemable convertible cumulative preference shares***	As at 01.07.2014	Acquired	
Interests of Mr Quek Kon Sean in:					
Hong Leong Industries Berhad	0.50	750,000	-	-	750,000
Malaysian Pacific Industries Berhad	0.50	281,250	-	-	281,250
Hume Industries Berhad (formerly known as Narra Industries Berhad) ("HIB")	1.00	-	810,000 ⁽¹²⁾	-	810,000

Notes:

- (1) Concept of par value was abolished with effect from 30 January 2006 pursuant to the Singapore Companies (Amendment) Act, 2005
- (2) Capital contribution in RMB
- (3) Capital contribution in USD
- (4) Capital contribution in HK\$
- (5) Concept of par value was abolished with effect from 3 March 2014 pursuant to the New Companies Ordinance (Chapter 622), Hong Kong
- (6) Inclusive of interest pursuant to Section 134(12)(c) of the Companies Act, 1965 in shares held by family member
- (7) Redeemable Preference Shares
- (8) The redeemable convertible cumulative preference shares ("RCCPS") are convertible into ordinary shares of RM1.00 each at the option of the holder of RCCPS on the basis of 400 ordinary shares of RM1.00 each for every RCCPS of RM1.00 nominal value
- (9) Subscription of renounceable rights issue of redeemable convertible unsecured loan stocks in SSB ("RCULS") on the basis of RM1.00 nominal value of rights RCULS for every 2 existing ordinary shares held in SSB
- (10) Redemption of redeemable preference shares
- (11) Dissolved during the financial year
- (12) Entitlement to new ordinary shares of RM1.00 each in HIB ("HIB Shares") pursuant to the capital distribution by HLI to entitled shareholders of HLI on the basis of 1,080 new HIB Shares for every 1,000 ordinary shares held in HLI
- (13) Cancellation of RM0.50 of the par value of existing HIB Shares pursuant to a reduction of share capital by HIB
- (14) Transfer of free HIB Shares to the grant holders upon vesting
- (15) Shareholdings as at 19 August 2014 when the corporation became a related corporation
- (16) Exercise of share options



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Bank Berhad

Company No: 97141-X

(Incorporated in Malaysia)

**Directors' report
for the financial year ended 30 June 2015 (continued)****Directors' benefits**

Since the end of the previous financial year, no Director of the Bank received or became entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or as fixed salary of a full-time employee of the Bank or of related corporations) by reason of a contract made by the Bank or its related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for:

YBhg Tan Sri Quek Leng Chan, who may be deemed to derive a benefit by virtue of those transactions, contracts and agreements for the acquisitions and/or disposal of stocks and shares, stocks-in-trade, products, parts, accessories, plants, chattels, fixtures, buildings, land and other properties or any interest in any properties; and/or for the provision of services including but not limited to project and sales management and any other management and consultancy services; and/or for construction, development, leases, tenancy, licensing, dealership and distributorship; and/or for the provision of treasury functions, advances in the conduct of normal trading, banking, insurance, investment, stockbroking and/or other businesses between the Bank or its related corporations and corporations in which YBhg Tan Sri Quek Leng Chan is deemed to have interests.

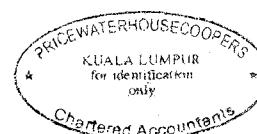
Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Bank is a party, with the object or objects of enabling the Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than the share options granted pursuant to the Executive Share Option Scheme and Executive Share Scheme.

Responsibility statement by the Board of Directors

In the course of preparing the annual financial statements of the Group and of the Bank, the Directors are collectively responsible in ensuring that these financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

It is the responsibility of the Directors to ensure that the financial reporting of the Group and the Bank present a true and fair view of the state of affairs of the Group and the Bank as at 30 June 2015 and of financial results and cash flows of the Group and of the Bank for the financial year ended 30 June 2015.

The financial statements are prepared on the going concern basis and the Directors have ensured that proper accounting records are kept, applied the appropriate accounting policies on a consistent basis and made accounting estimates that are reasonable and fair so as to enable the preparation of the financial statements of the Group and of the Bank with reasonable accuracy.



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Bank Berhad

Company No: 97141-X

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**Directors' report
for the financial year ended 30 June 2015 (continued)**
Executive Share Option Scheme and Executive Share Scheme

The Bank has concurrently established and implemented an Executive Share Option Scheme and an Executive Share Scheme.

(a) Executive Share Option Scheme 2006/2016 ("ESOS 2006/2016")

The ESOS 2006/2016 of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Bank, which was approved by the shareholders of the Bank on 8 November 2005, was established on 23 January 2006 and would be in force for a period of ten (10) years.

On 18 January 2006, the Bank announced that Bursa Malaysia Securities Berhad had approved-in-principle the listing of new ordinary shares of the Bank to be issued pursuant to the exercise of options under the ESOS 2006/2016 at any time during the existence of the ESOS 2006/2016.

The ESOS 2006/2016 would provide an opportunity for eligible executives who had contributed to the growth and development of the Bank and its subsidiaries ("HLB Group") to participate in the equity of the Bank. The aggregate number of shares to be issued under the ESOS 2006/2016 shall not exceed 15% of the issued and paid-up ordinary share capital of the Bank for the time being ("ESOS 2006/2016 Aggregate Maximum Allocation").

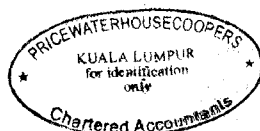
The Bank granted the following conditional incentive share options to eligible executives of the Bank pursuant to the ESOS 2006/2016 of the Bank:

- (a) 4,500,000 share options at an exercise price of RM5.72;
- (b) 21,800,000 share options at an exercise price of RM6.05;
- (c) 12,835,000 share options at an exercise price of RM5.99;
- (d) 250,000 share options at an exercise price of RM5.75 (granted and lapsed in financial year ended 2009);
- (e) 200,000 share options at an exercise price of RM7.49;
- (f) 3,095,000 share options at an exercise price of RM9.14;
- (g) 1,000,000 share options at an exercise price of RM10.55; and
- (h) 1,151,408 share options arising from adjustment for rights issue (per terms of approved ESOS Bye-Laws).

The said share options, if vested, will be satisfied by the transfer of existing shares purchased by a trust established for the ESOS 2006/2016.

Arising from the completion of the Bank's rights 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:

- (a) 75,063 share options at an exercise price of RM5.44;
- (b) 13,165,125 share options at an exercise price of RM5.75;
- (c) 6,294,724 share options at an exercise price of RM5.69;
- (d) 154,884 share options at an exercise price of RM7.12;
- (e) 2,804,113 share options at an exercise price of RM8.69; and
- (f) 1,000,000 share options at an exercise price of RM10.55.



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Bank Berhad

Company No: 97141-X
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**Directors' report
for the financial year ended 30 June 2015 (continued)**

Executive Share Option Scheme and Executive Share Scheme (continued)

(a) Executive Share Option Scheme 2006/2016 ("ESOS 2006/2016") (continued)

There were no options granted under the ESOS 2006/2016 of the Bank during the financial year ended 30 June 2015.

As at 30 June 2015, a total of 44,831,408 options had been granted under ESOS 2006/2016, out of which 23,202,902 options had been exercised and there are no options remaining outstanding. The aggregate options granted to Directors and chief executives of the HLB Group under the ESOS 2006/2016 amounted to 7,030,515, out of which 6,310,515 options had been exercised and there are no options outstanding.

Since the commencement of the ESOS 2006/2016, the maximum allocation applicable to Directors and senior management of the HLB Group is 50% of the ESOS 2006/2016 Aggregate Maximum Allocation.

As at 30 June 2015, the actual percentage of total options granted to Directors and senior management of the HLB Group under the ESOS 2006/2016 was 1.21% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Bank.

(b) Executive Share Scheme ("ESS")

The ESS of up to ten percent (10%) of the issued and paid-up ordinary share capital (excluding treasury shares) of the Bank comprises the Executive Share Option Scheme 2013/2023 ("ESOS 2013/2023") and the Executive Share Grant Scheme ("ESGS").

(i) ESOS 2013/2023

The ESOS 2013/2023 which was approved by the shareholders of the Bank on 25 October 2012, was established on 12 March 2013 and would be in force for a period of ten (10) years.

On 18 September 2012, the Bank announced that Bursa Malaysia Securities Berhad had resolved to approve the listing of new ordinary shares of the Bank to be issued pursuant to the exercise of options under the ESOS 2013/2023.

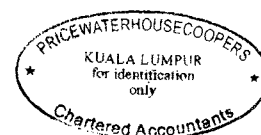
The ESOS 2013/2023 would provide an opportunity for eligible executives who had contributed to the growth and development of the HLB Group to participate in the equity of the Bank.

(ii) ESGS

The ESGS which was approved by the shareholders of the Bank on 23 October 2013, was established on 28 February 2014 and would end on 11 March 2023.

On 10 September 2013, the Bank announced that Bursa Malaysia Securities Berhad had resolved to approve in-principle the listing of new ordinary shares of the Bank to be issued pursuant to the ESGS.

The ESGS would provide the Bank with the flexibility to reward the eligible executives of the HLB Group for their contribution with awards of the Bank's shares without any consideration payable by the eligible executives.



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Bank Berhad

Company No: 97141-X

(Incorporated in Malaysia)

**Directors' report
for the financial year ended 30 June 2015 (continued)**
Executive Share Option Scheme and Executive Share Scheme (continued)

(b) Executive Share Scheme ("ESS") (continued)

At any point of time during the existence of the ESS, the aggregate number of shares comprised in the options and grants under the ESS and any other executive share schemes established by the Bank which are still subsisting shall not exceed 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Bank at any one time ("Schemes Aggregate Maximum Allocation").

There were 37,550,000 options granted at an exercise price of RM14.24 under the ESS of the Bank during the financial year ended 30 June 2015.

As at 30 June 2015, a total of 37,550,000 options have been granted under the ESS with 36,300,000 options remaining outstanding. The aggregate options granted to Directors and chief executives of the HLB Group under the ESS amounted to 10,000,000, all of which remain outstanding.

Since the commencement of the ESS, the maximum allocation applicable to Directors and senior management of the HLB Group is 50% of the Schemes Aggregate Maximum Allocation.

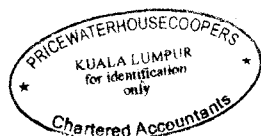
As at 30 June 2015, the actual percentage of options granted to Directors and senior management of the HLB Group under the ESS was 1.57% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Bank.

A trust has been set up for the ESOS 2006/2016 and ESS (collectively "Schemes") and it is administered by an appointed trustee. This 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 with MFRS 132, the shares purchased for the benefit of the Schemes holdings are recorded as "Treasury Shares for ESOS Scheme", in addition to the Treasury Shares for share buy-back, in the Shareholders' Equity on the statements of financial position.

For further details on the ESOS 2006/2016 and ESS, refer to Note 52 to the Financial Statements on Equity Compensation Benefits.

Statutory information regarding the Group and the Bank**(I) As at the end of the financial year**

- (a) Before the statements of income and statements of financial position of the Group and the Bank were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and financing and had satisfied themselves that all known bad debts and financing had been written off and that adequate allowance had been made for doubtful debts and financing; and
 - (ii) to ensure that any current assets, other than debts and financing, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and the Bank during the financial year had not been substantially affected by any item, transaction or event of a material and unusual nature.



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Bank Berhad

Company No: 97141-X
(Incorporated in Malaysia)

**Directors' report
for the financial year ended 30 June 2015 (continued)**

Statutory information regarding the Group and the Bank (continued)

(II) From the end of the financial year to the date of this report

- (a) The Directors are not aware of any circumstances:
- (i) which would render the amount written off for bad debts and financing or the amount of the allowance for doubtful debts and financing in the financial statements of the Group and the Bank, inadequate to any substantial extent;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and the Bank misleading; and
 - (iii) which had arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and the Bank misleading or inappropriate.
- (b) In the opinion of the Directors:
- (i) the results of the operations of the Group and the Bank for the financial year ended 30 June 2015 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Bank to meet their obligations as and when they fall due.

(III) As at the date of this report

- (a) There are no charges on the assets of the Group and the Bank which had arisen since the end of the financial year to secure the liabilities of any other person.
- (b) There are no contingent liabilities which had arisen since the end of the financial year.
- (c) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements of the Group and the Bank which would render any amount stated in the financial statements misleading.

Disclosure of Shariah Committee

The Group's Islamic banking activity is subject to the Shariah compliance and confirmation by the Shariah Committee consisting of 5 scholars, at all times, appointed by the Board of Directors of Hong Leong Islamic Bank Berhad and approved by BNM.

The primary role of the Shariah Committee is mainly advising on matters relating to the business operations and products of the Group and providing support by attending regular meetings with the Group to ensure that they are in conformity with Shariah principles.



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Bank Berhad

Company No: 97141-X
(Incorporated in Malaysia)

**Directors' report
for the financial year ended 30 June 2015 (continued)**

Holding and ultimate holding companies

The holding and ultimate holding companies are Hong Leong Financial Group Berhad and Hong Leong Company (Malaysia) Berhad respectively. Both companies are incorporated in Malaysia.

Auditors

The auditors, Messrs PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 17 September 2015.

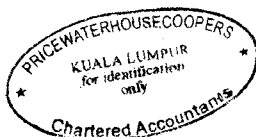


Tan Kong Khoon



Lim Lean See

Kuala Lumpur
21 September 2015



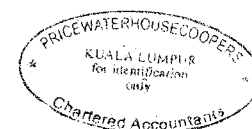
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)
Hong Leong Bank Berhad

Company no: 97141-X
(Incorporated in Malaysia)

Statements of Financial Position as at 30 June 2015

	Note	The Group		The Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Assets					
Cash and short-term funds	3	6,230,283	14,712,789	4,972,372	13,629,775
Deposits and placements with banks and other financial institutions	4	3,982,119	4,040,276	4,340,892	4,020,983
Securities purchased under resale agreements		12,163,252	2,717,021	12,163,252	2,717,021
Financial assets held-for-trading	5	7,131,434	11,314,476	7,123,538	10,132,834
Financial investments available-for-sale	6	20,307,353	16,677,209	17,370,438	13,732,377
Financial investments held-to-maturity	7	9,950,081	8,916,568	8,618,741	7,828,290
Loans, advances and financing	8	112,124,109	102,579,076	95,563,493	87,873,449
Other assets	19	1,295,419	497,237	1,149,905	434,542
Derivative financial instruments	20	1,424,929	687,441	1,421,571	670,325
Amount due from subsidiaries	9	-	-	12,984	11,437
Statutory deposits with Central Banks	10	3,476,192	3,150,642	2,859,590	2,591,500
Subsidiary companies	11	-	-	1,358,443	1,352,159
Investment in joint venture	12	128,790	90,080	76,711	76,711
Investment in associated companies	13	2,977,776	2,063,300	946,525	946,505
Property and equipment	14	678,579	725,585	627,784	697,102
Intangible assets	15	318,107	347,791	302,801	335,319
Goodwill	55	1,831,312	1,831,312	1,771,547	1,771,547
Total assets		184,019,735	170,350,803	160,680,587	148,821,876
Liabilities					
Deposits from customers	17	140,276,148	130,252,337	122,337,044	114,098,835
Deposits and placements of banks and other financial institutions	18	7,096,231	7,111,295	6,133,109	5,387,384
Obligations on securities sold under repurchase agreements		3,691,338	4,116,888	3,691,338	4,116,888
Bills and acceptances payable		1,900,967	358,732	1,874,138	327,899
Derivative financial instruments	20	1,287,726	790,415	1,269,894	760,406
Other liabilities	21	3,901,119	4,251,037	3,264,006	3,284,182
Senior bonds	22	2,286,380	1,936,207	2,286,380	1,936,207
Tier 2 subordinated bonds	23	4,619,812	4,868,353	4,219,507	4,468,275
Non-innovative Tier 1 stapled securities	24	1,410,869	1,410,252	1,410,869	1,410,252
Innovative Tier 1 capital securities	25	530,223	541,767	530,223	541,767
Taxation		152,240	49,581	160,243	24,364
Deferred tax liabilities	16	77,090	133,761	75,672	134,919
Total liabilities		167,230,143	155,820,625	147,252,423	136,491,378
Equity					
Share capital	26	1,879,909	1,879,909	1,879,909	1,879,909
Reserves	27	15,558,271	13,295,848	12,196,843	11,096,168
Less: Treasury shares	28	(648,588)	(645,579)	(648,588)	(645,579)
Total equity		16,789,592	14,530,178	13,428,164	12,330,498
Total equity and liabilities		184,019,735	170,350,803	160,680,587	148,821,876
Commitments and contingencies	41	148,927,356	193,135,411	142,453,657	186,995,685

The accompanying notes form an integral part of the financial statements



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)
Hong Leong Bank Berhad

Company no: 97141-X
(Incorporated in Malaysia)

Statements of Income for the financial year ended 30 June 2015

	Note	The Group		The Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest income	29	6,104,469	5,649,722	6,070,039	5,667,175
Interest expense	30	(3,363,273)	(2,987,498)	(3,381,630)	(3,053,529)
Net interest income		2,741,196	2,662,224	2,688,409	2,613,646
Income from Islamic Banking business	31	419,758	434,379	-	-
		3,160,954	3,096,603	2,688,409	2,613,646
Non-interest income	32	905,994	942,456	1,095,896	1,070,304
Net income		4,066,948	4,039,059	3,784,305	3,683,950
Overhead expenses	33	(1,813,859)	(1,792,213)	(1,582,281)	(1,573,637)
Operating profit before allowances		2,253,089	2,246,846	2,202,024	2,110,313
Write back of/(allowance for) impairment losses on loans, advances and financing	34	51,929	(52,065)	53,705	(92,403)
Write back of impairment losses		23,462	39,815	23,462	39,815
		2,328,480	2,234,596	2,279,191	2,057,725
Share of results of associated company	13	401,277	368,490	-	-
Share of results of joint venture	12	16,401	10,135	-	-
Profit before taxation		2,746,158	2,613,221	2,279,191	2,057,725
Taxation	37	(512,971)	(510,951)	(503,228)	(466,786)
Net profit for the financial year		2,233,187	2,102,270	1,775,963	1,590,939
Attributable to:					
Owners of the parent		2,233,187	2,102,270	1,775,963	1,590,939
Earnings per share for profit attributable to owners of the parent (sen):					
- basic	38	126.4	119.4	100.5	90.3
- diluted	38	126.4	119.3	100.5	90.3

The accompanying notes form an integral part of the financial statements



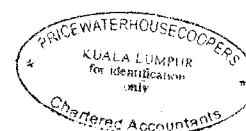
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)
Hong Leong Bank Berhad

Company no: 97141-X
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Statements of Comprehensive Income for the financial year ended 30 June 2015

	Note	The Group		The Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net profit for the financial year		<u>2,233,187</u>	<u>2,102,270</u>	<u>1,775,963</u>	<u>1,590,939</u>
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Share of other comprehensive income/(loss)					
of associated company		13,310	(2,053)	-	-
Currency translation differences		690,061	7,657	1,901	574
Net fair value changes on financial investments available-for-sale	40	11,873	36,758	6,888	49,791
Net fair value changes in cash flow hedge	40	216	-	216	-
Income tax relating to components of other comprehensive income	40	(3,706)	(11,387)	(1,775)	(11,532)
Other comprehensive income for the financial year, net of tax		<u>711,754</u>	<u>30,975</u>	<u>7,230</u>	<u>38,833</u>
Total comprehensive income for the financial year		<u>2,944,941</u>	<u>2,133,245</u>	<u>1,783,193</u>	<u>1,629,772</u>

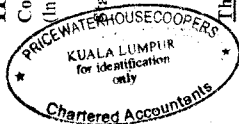
The accompanying notes form an integral part of the financial statements



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Bank Berhad

Company no.: 97141-X
(Incorporated in Malaysia)



Statements of Changes in Equity for the financial year ended 30 June 2015

	Note	Attributable to owners of the parent										
		Share capital RM'000	Share premium RM'000	Treasury shares* RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Cash flow hedge reserve RM'000	Share options reserve RM'000	Regulatory reserves** RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Total RM'000
At 1 July 2014		1,879,909	2,832,383	(645,579)	3,081,128	186,444	-	2,618	10,266	(6,095)	7,189,104	14,530,178
Comprehensive income		-	-	-	-	-	-	-	-	-	2,233,187	2,233,187
Net profit for the financial year		-	-	-	-	-	-	-	-	-	2,233,187	2,233,187
Share of other comprehensive income of associates		-	-	-	-	13,310	-	-	-	-	-	13,310
Net fair value changes in financial investments available-for-sale	40	-	-	-	-	8,221	-	-	-	-	-	8,221
Net fair value changes in cash flow hedge	40	-	-	-	-	-	162	-	-	-	-	162
Currency translation differences		-	-	-	-	-	-	-	690,061	-	-	690,061
Total comprehensive income		-	-	-	-	21,531	162	-	690,061	690,061	2,233,187	2,944,941
Transactions with owners		-	-	-	493,986	-	-	-	-	-	(493,986)	-
Transfer to statutory reserve		-	-	-	-	-	-	-	-	-	(389,091)	-
Transfer to regulatory reserve		-	-	-	-	-	-	389,091	-	-	-	(35,164)
Purchase of treasury shares	28	-	-	(35,164)	-	-	-	-	-	-	-	66,621
Sale of treasury shares	28	-	39,800	26,821	-	-	-	-	-	-	-	-
Dividends paid:		-	-	-	-	-	-	-	-	-	(459,573)	(459,573)
- final dividend for the financial year ended 30 June 2014	39	-	-	-	-	-	-	-	-	-	-	-
- interim dividend for the financial year ended 30 June 2015	39	-	-	5,334	-	-	-	-	-	-	(2,618)	(265,197)
ESOS exercised		-	-	(3,009)	493,986	-	-	(2,618)	-	-	5,070	7,786
Total transactions with owners		-	39,800	(3,009)	493,986	-	-	(2,618)	389,091	-	(1,602,777)	(685,527)
At 30 June 2015		1,879,909	2,872,183	(648,588)	3,575,114	207,975	162	-	399,357	683,966	7,819,514	16,789,592

* Treasury shares consist of two categories which are detailed in Note 28

** Comprise regulatory reserves maintained by the Group's banking subsidiaries in Malaysia of RM388,112,000 (2014: RM Nil) and the banking subsidiary in Vietnam with the State Bank of Vietnam of RM11,245,000 (2014: RM10,266,000)

The accompanying notes form an integral part of the financial statements

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Bank Berhad

Company no: 97141-X
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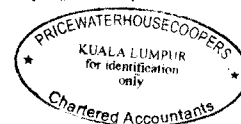
Statements of Changes in Equity for the financial year ended 30 June 2015 (continued)

The Group	Note	Attributable to owners of the parent									
		Share capital RM'000	Share premium RM'000	Treasury shares* 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 profits RM'000	Total RM'000
At 1 July 2013		1,879,909	2,832,383	(661,809)	2,625,743	163,126	5,125	8,527	(13,752)	6,197,372	13,036,624
<u>Comprehensive income</u>		-	-	-	-	-	-	-	-	2,102,270	2,102,270
Net profit for the financial year		-	-	-	-	(2,053)	-	-	-	-	(2,053)
Share of other comprehensive loss of associates		-	-	-	-	25,371	-	-	-	-	25,371
Net fair value changes in financial investments available-for-sale	40	-	-	-	-	-	-	-	7,657	-	7,657
Currency translation differences		-	-	-	-	23,318	-	-	7,657	-	31,633
Total comprehensive income		-	-	-	-	23,318	-	-	15,314	-	38,632
Transactions with owners		-	-	-	455,385	-	-	-	-	(455,385)	-
Transfer to statutory reserve		-	-	-	-	-	-	-	-	(1,739)	-
Transfer to regulatory reserve		-	-	(29)	-	-	1,739	-	-	-	-
Purchase of treasury shares	28	-	-	-	-	-	-	-	-	-	(29)
Dividends paid:											
- final dividend for the financial year ended 30 June 2013	39	-	-	-	-	-	-	-	-	(396,172)	(396,172)
- interim dividend for the financial year ended 30 June 2014	39	-	-	-	-	-	-	-	-	(264,190)	(264,190)
ESOS exercised		-	-	16,259	-	-	-	-	-	6,948	19,100
Option charge arising from ESOS granted		-	-	-	-	-	-	-	-	-	1,600
Total transactions with owners		-	-	16,230	455,385	-	(2,507)	1,739	-	(1,110,538)	(639,691)
At 30 June 2014		1,879,909	2,832,383	(645,579)	3,081,128	186,444	2,618	10,266	(6,095)	7,189,104	14,530,178

* Treasury shares consist of two categories which are detailed in Note 28

** Comprisc regulatory reserve maintained by the Group's banking subsidiary company in Vietnam with the State Bank of Vietnam of RM10,266,000

The accompanying notes form an integral part of the financial statements



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Bank Berhad

Company no: 97141-X
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Statements of Changes in Equity for the financial year ended 30 June 2015 (continued)

The Bank	Note	Non-distributable					Distributable			Total equity RM'000		
		Share capital RM'000	Share premium RM'000	Treasury shares* RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Cash flow hedge reserve RM'000	Share options reserve RM'000	Regulatory reserve RM'000		Exchange fluctuation reserve RM'000	Retained profits RM'000
At 1 July 2014		1,879,909	2,832,383	(645,579)	2,640,258	208,942	-	2,618	-	36,897	5,375,070	12,330,498
Comprehensive income		-	-	-	-	-	-	-	-	-	1,775,963	1,775,963
Net profit for the financial year		-	-	-	-	-	-	-	-	-	-	-
Net fair value changes in financial investments available-for-sale	40	-	-	-	-	5,167	-	-	-	-	-	5,167
Net fair value changes in cash flow hedge	40	-	-	-	-	162	-	-	-	-	-	162
Currency translation differences		-	-	-	-	-	-	-	1,901	-	-	1,901
Total comprehensive income		-	-	-	-	5,167	-	-	1,901	-	1,775,963	1,783,193
Transactions with owners		-	-	-	-	-	-	-	-	-	(443,991)	-
Transfer to statutory reserve		-	-	-	443,991	-	-	-	-	-	(443,991)	-
Transfer to regulatory reserve		-	-	-	-	-	-	-	334,138	-	(334,138)	-
Purchase of treasury shares	28	-	-	(35,164)	-	-	-	-	-	-	-	(35,164)
Sale of treasury shares	28	-	39,800	26,821	-	-	-	-	-	-	-	66,621
Dividends paid:		-	-	-	-	-	-	-	-	-	-	-
- final dividend for the financial year ended 30 June 2014	39	-	-	-	-	-	-	-	-	-	(459,573)	(459,573)
- interim dividend for the financial year ended 30 June 2015	39	-	-	-	-	-	-	-	-	-	(265,197)	(265,197)
ESOS exercised		-	-	5,334	-	-	-	(2,618)	-	-	5,070	7,786
Total transactions with owners		-	39,800	(3,009)	443,991	-	-	(2,618)	334,138	-	(1,497,829)	(685,527)
At 30 June 2015		1,879,909	2,872,183	(648,588)	3,084,249	214,109	162	-	334,138	38,798	5,653,204	13,428,164

* Treasury shares consist of two categories which are detailed in Note 28

The accompanying notes form an integral part of the financial statements

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Bank Berhad

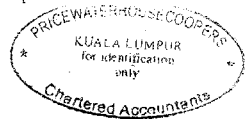
Company no: 97141-X
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Statements of Changes in Equity for the financial year ended 30 June 2015 (continued)

	Note	Non-distributable						Distributable			Total equity RM'000	
		Share capital RM'000	Share premium RM'000	Treasury shares* 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 profits RM'000		
The Bank												
At 1 July 2013		1,879,909	2,832,383	(661,809)	2,242,523	170,683	5,125	-	36,323	4,835,280	11,340,417	
Comprehensive income		-	-	-	-	-	-	-	-	1,590,939	1,590,939	
Net profit for the financial year		-	-	-	-	-	-	-	-	-	-	
Net fair value changes in financial investments available-for-sale	40	-	-	-	-	38,259	-	-	-	-	38,259	
Currency translation differences		-	-	-	-	-	-	-	574	-	574	
Total comprehensive income		-	-	-	-	38,259	-	-	574	1,590,939	1,629,772	
Transactions with owners												
Transfer to statutory reserve		-	-	-	397,735	-	-	-	-	(397,735)	-	
Purchase of treasury shares	28	-	-	(29)	-	-	-	-	-	-	(29)	
Dividends paid:												
- final dividend for the financial year ended 30 June 2013	39	-	-	-	-	-	-	-	-	(396,172)	(396,172)	
- interim dividend for the financial year ended 30 June 2014	39	-	-	16,259	-	-	(4,107)	-	-	(264,190)	(264,190)	
ESOS exercised		-	-	-	-	-	-	-	-	6,948	6,948	
Option charge arising from ESOS granted		-	-	-	-	-	1,600	-	-	-	1,600	
Total transactions with owners		-	-	16,230	397,735	-	(2,507)	-	-	(1,051,149)	(639,691)	
At 30 June 2014		1,879,909	2,832,383	(645,579)	2,640,258	208,942	2,618	-	36,897	5,375,070	12,330,498	

* Treasury shares consist of two categories which are detailed in Note 28

The accompanying notes form an integral part of the financial statements



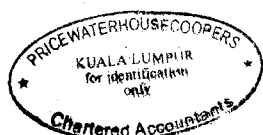
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)
Hong Leong Bank Berhad

Company no: 97141-X

(Incorporated in Malaysia)

Statements of Cash Flows for the financial year ended 30 June 2015

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash flows from operating activities				
Profit before taxation	2,746,158	2,613,221	2,279,191	2,057,725
Adjustments for:				
Depreciation of property and equipment	70,819	110,193	66,691	105,116
Amortisation of intangible assets	69,487	97,502	66,693	92,969
Net gain on disposal of property and equipment	(49,694)	(4,012)	(49,695)	(4,095)
Share of associated company's results	(401,277)	(368,490)	-	-
Share of joint venture's results	(16,401)	(10,135)	-	-
Property and equipment written off	63	1,282	18	1,249
Intangible assets written off	2,875	8,565	2,865	8,561
Gain from sale/redemption of security portfolio:				
- financial investments held-to-maturity	(350)	(790)	(350)	(790)
- financial investments available-for-sale	(111,345)	(74,419)	(101,692)	(54,893)
- financial assets held-for-trading and derivatives	(29,928)	(53,237)	(29,928)	(53,237)
Allowances for impairment losses on loans, advances and financing	163,638	285,921	147,433	304,576
Impaired loans and financing written off	45,617	20,025	35,290	17,725
Net unrealised loss/(gain) on revaluation of securities held at fair value through profit or loss and derivatives	38,815	(2,065)	38,815	(2,065)
Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges	3,279	8,334	2,886	6,379
Unrealised loss on foreign exchange	345,000	30,600	345,000	30,600
Write back of impairment losses	(23,462)	(39,815)	(23,462)	(39,815)
Interest expense on subordinated obligations	378,232	357,326	378,225	372,262
Interest income from:				
- financial investments available-for-sale	(418,380)	(393,231)	(395,205)	(357,627)
- financial investments held-to-maturity	(262,819)	(182,496)	(272,830)	(210,239)
Dividend income from:				
- financial investments available-for-sale	(119,491)	(66,632)	(119,491)	(66,632)
- associated company	-	-	(91,669)	(76,859)
- subsidiary companies	-	-	(110,093)	(56,700)
Share option expenses	-	1,600	-	1,600
Operating profit before working capital changes	2,430,836	2,339,247	2,168,692	2,075,810



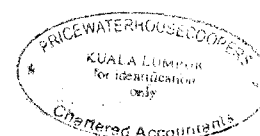
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)
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Statements of Cash Flows for the financial year ended 30 June 2015 (continued)

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(Increase)/Decrease in operating assets				
Deposits and placements with banks and other financial institutions	58,157	1,888,094	(319,909)	2,708,073
Securities purchased under resale agreements	(9,446,231)	(1,691,768)	(9,446,231)	(1,691,768)
Financial assets held-for-trading	4,212,426	3,898,379	3,038,680	1,991,167
Loans, advances and financing	(9,757,567)	(7,462,395)	(7,875,653)	(6,366,395)
Derivative financial instruments	(852,143)	145,267	(857,267)	243,867
Other assets	(798,182)	391,363	(721,647)	359,968
Amount due from subsidiaries	-	-	(1,547)	605,050
Statutory deposits with Central Banks	(325,550)	282,267	(268,090)	325,500
Increase/(Decrease) in operating liabilities				
Deposits from customers	10,094,983	6,697,431	8,302,004	4,993,650
Deposits and placements of banks and other financial institutions	(15,064)	(4,455,852)	745,725	(4,778,730)
Bills and acceptances payable	1,542,235	(441,948)	1,546,239	(328,993)
Derivative financial instruments	502,739	(163,271)	513,659	(250,843)
Other liabilities	(363,756)	964,126	(32,642)	1,226,183
Securities sold under repurchase agreements	(425,550)	2,368,144	(425,550)	2,368,144
Cash flows (used in)/generated from operations	(3,142,667)	4,759,084	(3,633,537)	3,480,683
Taxation paid	(470,131)	(651,664)	(404,410)	(563,521)
Net cash (used in)/generated from operating activities	(3,612,798)	4,107,420	(4,037,947)	2,917,162



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Statements of Cash Flows for the financial year ended 30 June 2015 (continued)

	Note	The Group		The Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash flows from investing activities					
Dividends from subsidiary companies		-	-	110,093	56,700
Net purchases of financial investments available-for-sale		(3,080,563)	(2,326,480)	(3,126,293)	(1,615,358)
Net purchases of financial investments held-to-maturity		(754,885)	(4,551,714)	(501,812)	(3,480,900)
Purchase of property and equipment		(191,524)	(105,832)	(166,102)	(96,224)
Net proceeds from sale of property and equipment		219,089	10,738	219,088	10,106
Purchase of intangible assets		(41,305)	(84,368)	(37,040)	(73,994)
Dividends received on financial investments available-for-sale		119,491	66,632	119,491	66,632
Dividend from associated company		66,894	56,086	66,894	56,086
Net cash used in investing activities		(3,662,803)	(6,934,938)	(3,315,681)	(5,076,952)
Cash flows from financing activities					
Dividends paid		(724,770)	(660,362)	(724,770)	(660,362)
Purchase of treasury shares		(35,164)	(29)	(35,164)	(29)
Sale of treasury shares		66,621	-	66,621	-
Cash received from ESOS exercised		7,786	19,100	7,786	19,100
Repayment of Tier 2 subordinated loan		(250,000)	(410,000)	(250,000)	(410,000)
Proceeds from debt issuance - Tier 2 subordinated bonds		-	900,000	-	500,000
Interest paid on subordinated obligations		(369,247)	(363,013)	(369,467)	(378,685)
Net cash used in financing activities		(1,304,774)	(514,304)	(1,304,994)	(929,976)
Net decrease in cash and cash equivalents		(8,580,375)	(3,341,822)	(8,658,622)	(3,089,766)
Effects of exchange rate changes		97,869	7,163	1,219	283
Cash and cash equivalents at the beginning of financial year		14,712,789	18,047,448	13,629,775	16,719,258
Cash and cash equivalents at the end of financial year	3	6,230,283	14,712,789	4,972,372	13,629,775

The accompanying notes form an integral part of the financial statements



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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**Notes to the financial statements
for the financial year ended 30 June 2015**

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements.

1 Basis of preparation of the financial statements

The financial statements of the Group and of the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial investments available-for-sale and financial assets/financial liabilities at fair value through profit or loss (including derivative financial instruments).

The financial statements incorporate the activities relating to Islamic Banking which have been undertaken by the Group in compliance with Shariah principles. Islamic Banking business refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

The preparation of financial statements in conformity with 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 financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgment in the process of applying the Group and the Bank's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 53.

A Standards, amendments to published standards and interpretations that are effective and applicable to the Group and the Bank

The new accounting standards, amendments to published standards and interpretations that are effective and applicable to the Group and the Bank for the financial year beginning on 1 July 2014 are as follows:

- * Amendments to MFRS 10, MFRS 12 and MFRS 127 "Investment entities"
- * Amendment to MFRS 119 "Employee benefits"
- * Amendment to MFRS 132 "Financial instruments: Presentation - Offsetting financial assets and financial liabilities"
- * Amendment to MFRS 139 "Financial instruments: Recognition and Measurement" - Novation of Derivatives and Continuation of Hedge Accounting
- * IC Interpretation 21 "Levies"
- * Annual Improvements to MFRSs 2010-2012 Cycle
- * Annual Improvements to MFRSs 2011-2013 Cycle

The adoption of the above accounting standards, amendments and improvements to published standards did not have material impact on the financial statements of the Group and the Bank.

B Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014. The Group and the Bank will apply these standards, amendments to published standards and interpretations from:

(i) Financial year beginning on/after 1 July 2016

- * Amendment to MFRS 11 'Joint arrangements' (effective from 1 January 2016) requires an investor to apply the principles of MFRS 3 'Business combinations' when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
1 Basis of preparation of the financial statements (continued)**B Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (continued)**

(i) Financial year beginning on/after 1 July 2016 (continued)

- * Amendments to MFRS 10 and MFRS 128 regarding sale or contribution of assets between an investor and its associate or joint venture (effective from 1 January 2016) resolve a current inconsistency between MFRS 10 and MFRS 128. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business'. Full gain or loss shall be recognised by the investor where the non-monetary assets constitute a 'business'. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor to the extent of the other investors' interests. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. They are not intended to address accounting for the sale or contribution of assets by an investor in a joint operation.
- * Amendments to MFRS 116 'Property, plant and equipment' and MFRS 138 'Intangible assets' (effective from 1 January 2016) clarify that the use of revenue-based methods to calculate the depreciation and amortisation of an item of property, plant and equipment and intangible are not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

(ii) Financial year beginning on/after 1 July 2017

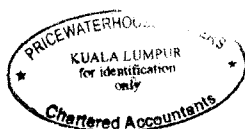
- * MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2017) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

(iii) Financial year beginning on/after 1 July 2018

- * MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.



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Notes to the financial statements for the financial year ended 30 June 2015 (continued)

1 Basis of preparation of the financial statements (continued)

B Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (continued)

(iii) Financial year beginning on/after 1 July 2018 (continued)

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statements of income, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

None of the standards, amendments and interpretations that are effective for the respective financial years is expected to have a significant effect on the financial statements of the Group and the Bank, except for MFRS 15 and MFRS 9.

The Group and the Bank is in the midst of reviewing the requirements of MFRS 15 and MFRS 9, especially MFRS 9 as it introduces significant changes in the way the Group and the Bank account for financial instruments. Due to the complexity of these standards and its proposed changes, the financial effects of its adoption are still being assessed by the Group and the Bank.

C Significant changes in regulatory requirements

On 4 February 2014, BNM issued a letter requiring banking institutions to maintain, in aggregate, collective impairment allowance and regulatory reserve of no less than 1.20% of total outstanding loans/financing, net of individual impairment allowance, pursuant to paragraph 15 of the BNM's Policy Document on *Classification and Impairment Provisions for Loans/Financing*.

The regulatory reserve is maintained in addition to the collective impairment allowance required under the MFRS 139 Financial Instruments: Recognition and Measurement, and it will be set aside from the retained profits to a separate reserve within equity as an additional credit risk absorbent. Banking institutions are required to comply with this requirement by 31 December 2015.

During the financial year, the Group and the Bank have transferred RM388.11 million and RM334.14 million respectively from its retained profits to regulatory reserves in accordance with BNM's requirements. The early adoption of this requirement ahead of BNM's requirement by 31 December 2015 did not have any impact to the profit or loss of the Group and the Bank.

2 Summary of significant accounting policies

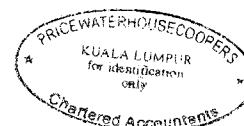
A Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date control ceases.

The consolidated financial statements include the financial statements of the Bank and all its subsidiaries made up to the end of the financial year.

The Group applies the acquisition method to account for business combinations.



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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
2 Summary of significant accounting policies (continued)**A Consolidation (continued)****(i) Subsidiaries (continued)**

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statements of income.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses from such re-measurement are recognised in the statements of income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in the statements of income or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The Group applies predecessor accounting to account for business combinations under common control. Under predecessor accounting, assets and liabilities acquired are not restated to their respective fair values. They are recognised at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to conform with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) of the acquired entity is recognised as an adjustment to equity. No additional goodwill is recognised.

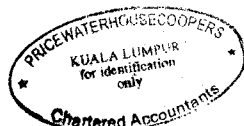
The acquirer only incorporates the acquired entity's results and statements of financial position prospectively from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the acquired entity for the period before the transaction occurred. The corresponding amounts for the previous financial year are also not restated.

Predecessor accounting may lead to a difference between the cost of the transaction and the carrying value of the net assets. The difference is recorded in retained profits.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.



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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
2 Summary of significant accounting policies (continued)**A Consolidation (continued)****(iii) Disposal of subsidiaries**

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iv) Joint arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

The Group's interest in a joint venture is accounted for in the financial statements by the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(v) Associated companies

Associated companies are those corporations, partnerships or other entities in which the Group exercises significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of voting rights. Significant influence is power to participate in financial and operating policy decisions of associated companies but not power to exercise control over those policies.

Investments in associated companies are accounted for in the consolidated financial statements using equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of acquisition. The Group's investment in associated companies includes goodwill identified on acquisition.

The Group's share of associated companies' post-acquisition profits or losses is recognised in statements of income, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. If the Group's share of losses of an associated company equals or exceeds its interest in the associated company, the Group discontinues recognising its share of further losses. The interest in an associated company is the carrying amount of the investment in the associated company under the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associated company. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
2 Summary of significant accounting policies (continued)**A Consolidation (continued)****(v) Associated companies (continued)**

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the statements of income.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains and losses arising in investments in associates are recognised in the statements of income.

(vi) Changes in ownership interests

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in statements of income. This fair value is its fair value on initial recognition as a financial asset in accordance with MFRS 139. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(vii) Investments in subsidiaries, joint venture and associated companies

In the Bank's separate financial statements, investments in subsidiaries, joint venture and associated companies are carried at cost less any accumulated impairment losses. On disposal of investments in subsidiaries, joint venture and associated companies, the difference between disposal proceeds and the carrying amount of investments are recognised in the statements of income.

The amounts due from subsidiaries of which the Bank does not expect repayment in foreseeable future are considered as part of the Bank's investment in subsidiaries.

B Recognition of interest/profit income and interest/profit expense

Interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the statements of income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

When a loan receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivable are recognised using the original effective interest rate.

Income from Islamic banking business is recognised on an accrual basis in accordance with the principles of Shariah.



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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
2 Summary of significant accounting policies (continued)**C Recognition of fees and other income**

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled. Guarantee fees which are material are recognised as income based on time apportionment. Services charges and other fee income are recognised as income when the services are rendered.

Commitment fees for loans, advances and financing that are likely to be drawn down and deferred (together with direct costs) and income which forms an integral part of the effective interest rate of a financial instrument is regarded as an adjustment to the effective interest rate of the financial instrument.

Dividends from financial assets held at fair value through profit or loss, financial investments available-for-sale and subsidiary companies are recognised when the right to receive payment is established.

Net profit from financial assets held at fair value through profit or loss and financial investment available-for-sale are recognised upon disposal of the securities, as the difference between net disposal proceeds and the carrying amount of the securities.

D Financial assets**(i) Classification**

The Group and the Bank classify their financial assets into the following categories: at fair value through profit or loss, loans and receivables, financial investments held-to-maturity and financial investments available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classifications of its securities up-front at the point when transactions are entered into.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets held-for-trading and other financial assets designated by the Group and the Bank as fair value through profit or loss upon initial recognition.

A financial asset is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated and effective as hedging instruments.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(c) Financial investments held-to-maturity

Financial investments held-to-maturity are non-derivative instruments with fixed or determinable as the positive intention and ability to hold to maturity. If the Group or the Bank sell other than an insignificant amount of financial investments held-to-maturity, the entire category will be tainted and reclassified as financial investments available-for-sale.

(d) Financial investments available-for-sale

Financial investments available-for-sale are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as financial assets at fair value through profit or loss, loans and receivables and financial investments held-to-maturity.

(ii) Recognition and initial measurement

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Transaction costs for securities carried at fair value through profit or loss are taken directly to the statements of income.

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
2 Summary of significant accounting policies (continued)**D Financial assets (continued)****(iii) Subsequent measurement**

Financial assets at fair value through profit or loss and financial investments available-for-sale are subsequently carried at fair value, except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured in which case the investments are stated at cost. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the statements of income in the financial period which they arise. Gains and losses arising from changes in fair value of financial investments available-for-sale are recognised directly in other comprehensive income, until the securities are derecognised or impaired at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in statements of income. Foreign exchange gains or losses of financial investments available-for-sale are recognised in the statements of income in the financial period it arises.

Financial investments held-to-maturity are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from the de-recognition or impairment of the securities are recognised in the statements of income.

Interest from financial assets held at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity is calculated using the effective interest method and is recognised in the statements of income. Dividends from available-for-sale equity instruments are recognised in the statements of income when the entity's right to receive payment is established.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including the transaction costs, and measured subsequently at amortised cost using the effective interest rate method. Interest on loans is included in the statements of income. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the statements of income.

(iv) Reclassification of financial assets

The Group and the Bank may choose to reclassify a non-derivative financial assets held-for-trading out of the held-for-trading category if the financial asset is no longer held for the purposes of selling in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group and the Bank may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group and the Bank have the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

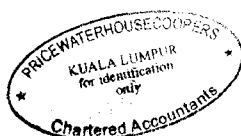
Reclassifications are made at the fair value at the date of the reclassification. The fair values of the securities becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before the reclassification date are subsequently made. The effective interest rates for the securities reclassified to held-to-maturity category are determined at the reclassification date. Further changes in estimates of future cash flows are recognised as an adjustment to the effective interest rates.

E Financial liabilities

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in statements of income.

(i) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held-for-trading and financial liabilities designated at fair value through profit or loss upon initial recognition.



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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
2 Summary of significant accounting policies (continued)**E Financial liabilities (continued)****(i) Financial liabilities at fair value through profit or loss (continued)**

A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated and effective as hedging instruments.

The Group and the Bank have also designated certain structured deposits at fair value through profit or loss as permitted under MFRS 139 "Financial Instruments: Recognition and Measurement" as it significantly reduces accounting mismatch that would otherwise arise from measuring the corresponding assets and liabilities of different basis.

(ii) Financial liabilities at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost.

F Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statements of income during the financial period in which they are incurred.

Freehold land is not depreciated as it has an infinite life. Other property and equipment are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Leasehold land	Over the remaining period of the lease or 100 years (1%) whichever is shorter	
Buildings on freehold land		2%
Buildings on leasehold land	Over the remaining period of the lease or 50 years (2%) whichever is shorter	
Office furniture, fittings, equipment and renovations and computer equipment		10% - 33%
Motor vehicles		25%

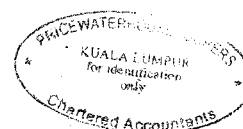
The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Depreciation on assets under construction commences when the assets are ready for their intended use.

Property and equipment are reviewed for indication of impairment at each statements of financial position date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in non-interest income.

During the financial year ended 30 June 2015, management initiated a group-wide review of useful lives, taking into account historical experience and expected future development in relation to technology changes and market conditions. As a result, useful lives of a number of classes of tangible assets such as renovations, office equipment, furniture and fittings, air conditioners, safe deposits boxes and computer equipment were adjusted from 5 years to 8 years.



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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
2 Summary of significant accounting policies (continued)**G Intangible assets****(i) Computer software**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 years to 8 years.

During the financial year ended 30 June 2015, management initiated a group-wide review of useful lives, taking into account historical experience and expected future development in relation to technology changes and market conditions. As a result, the useful life of computer software was adjusted from 5 years to 8 years.

(ii) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the aggregate of the acquisition date fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the net of the acquisition date fair value of the identifiable assets acquired and liabilities assumed. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in the profit or loss.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(iii) Other intangible assets

Other intangible assets include core deposits and customer relationships. These intangible assets were acquired in a business combination and are valued using income approach methodologies. These intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets have finite useful lives as follows:

Core deposit: 7 years
Customer relationships: 10 years

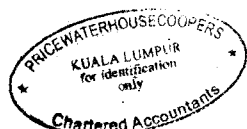
H Leases**(i) Finance lease**

Assets purchased under lease which in substance transfers the risks and rewards of ownership of the assets to the Group or the Bank are capitalised under property and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased assets at the beginning of the lease term. Such leased assets are subject to depreciation on the same basis as other property and equipment.

Leases which do not meet such criteria are classified as operating lease and the related rentals are charged to statements of income.

(ii) Operating lease

Leases of assets under which all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statements of income on a straight line basis over the period of the lease.



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**Notes to the financial statements
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2 Summary of significant accounting policies (continued)**H Leases (continued)****(ii) Operating lease (continued)**

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

I Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the statements of income unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount of non-financial assets (other than goodwill) is recognised in the statements of income unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

J Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

Current income tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and generates taxable income and includes all taxes based upon the taxable profits.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

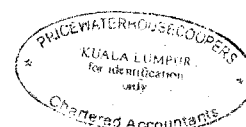
Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences of unused tax losses or unused tax credits can be utilised.

Deferred tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax related to fair value re-measurement of financial instruments available-for-sale, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the statements of income together with the deferred gain or loss.

Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.



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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
2 Summary of significant accounting policies (continued)**K Derivative financial instruments and hedging**

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the statements of income.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group and the Bank recognise profits immediately.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Bank designated certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge) or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge) or (3) hedges of a net investment in a foreign operation (net investment hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the transaction, the Group and the Bank document the relationship between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. The Group and the Bank also document their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statements of income, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to statements of income over the period to maturity. The adjustments to the carrying amount of a hedged equity security remains in retained profits until the disposal of the equity security.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain and loss relating to the ineffective portion is recognised immediately in the statements of income. Amounts accumulated in equity are recycled to the statements of income in the financial periods in which the hedged item will affect statements of income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statements of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statements of income.

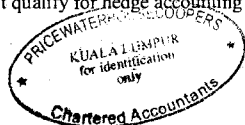
(iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statements of income.

Gains and losses accumulated in the equity are included in the statements of income when the foreign operation is partially disposed or sold.

(iv) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statements of income.



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**Notes to the financial statements
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2 Summary of significant accounting policies (continued)**L Currency translations****(i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Bank's functional and presentation currency.

(ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial instruments available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the statements of income, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets are recognised in income as part of the financial instruments fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in other comprehensive income.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of the statements of financial position;
- income and expenses for each statements of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statements of income as part of the gain or loss on sale.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or jointly controlled entities that do not result in the group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

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**Notes to the financial statements
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2 Summary of significant accounting policies (continued)**M Employee benefits****(i) Short-term employee benefits**

The Group and the Bank recognise a liability and an expense for bonuses. The Group and the Bank recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Bank.

(ii) Defined contribution plan

A defined contribution plan is a pension plan under which the Group and the Bank pay fixed contributions into a fund and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior financial periods.

The Group and the Bank contributes to a national defined contribution plan (the Employee Provident Fund) on a mandatory basis and the amounts contributed to the plan are charged to the statements of income in the financial period to which they relate. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Share-based compensation

The Bank operates an equity-settled, share-based compensation plan for the employees of the Bank under which the Bank receives services from employees as consideration for equity instruments (options) of the Bank. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the statements of income over the vesting periods of the grant with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statements of financial position date, the Bank revises its estimates of the number of share options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the statements of income, with a corresponding adjustment to share options reserve in equity.

A trust has been set up for the Executive Share Option Scheme ("ESOS") 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 with MFRS 132 "Financial Instruments: Presentation", the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares" in equity on the statements of financial position. The cost of operating the ESOS scheme would be charged to the statements of income when incurred in accordance with accounting standards.

When the options are exercised, the Bank may issue new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

When options are not exercised and lapsed, the share options reserve is transferred to retained earnings.

N Impairment of financial assets**(i) Assets carried at amortised cost**

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.



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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
2 Summary of significant accounting policies (continued)**N Impairment of financial assets (continued)****(i) Assets carried at amortised cost (continued)**

The criteria the Group and the Bank use to determine that there is objective evidence of impairment loss include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default of delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group and the Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statements of income. If a loan or financial investments held-to-maturity have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets that have not been individually assessed are grouped together for portfolio impairment assessment. These financial assets are grouped according to their credit risk characteristics for the purposes of calculating an estimated collective loss. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being assessed. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

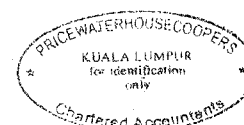
The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group and the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

If in a subsequent period, the amount of impairment losses decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statements of income.

(ii) Assets classified as available-for-sale

The Group and the Bank assess at each date of the statements of financial position whether there is objective evidence that financial asset or a group of financial assets is impaired. The criteria the Group and the Bank use to determine that there is objective evidence of impairment loss include indications that the issuer is experiencing significant financial difficulty, the probability that the issuer will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in the market or economic conditions that correlate with defaults on the assets. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss.



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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
2 Summary of significant accounting policies (continued)**N Impairment of financial assets (continued)****(ii) Assets classified as available-for-sale (continued)**

If any such evidence exists for available-for-sale assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in equity is removed from other comprehensive income and recognised in the statements of income. Impairment losses recognised in the statements of income on equity instruments are not reversed through the statements of income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in statements of income, the impairment loss is reversed through the statements of income. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

O Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral furnished by the Bank under standard repurchase agreements transactions is not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

P Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statements of financial position where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

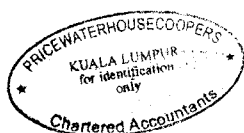
Q Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees and the amount determined in accordance with MFRS 137 "Provision, Contingent Liabilities and Contingent Assets", and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the statements of income.

R Foreclosed properties

Foreclosed properties are stated at the lower of carrying amount and fair value less cost to sell.



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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
2 Summary of significant accounting policies (continued)**S Bills and acceptances payable**

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

T Provisions

Provisions are recognised by the Group and the Bank when all of the following conditions have been met:

- (i) the Group and the Bank have a present legal or constructive obligation as a result of past events;
- (ii) it is probable that an outflow of resources to settle the obligation will be required; and
- (iii) a reliable estimate of the amount of obligation can be made.

Where the Group and the Bank expect a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

U Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and short-term funds.

V Treasury shares

The Bank has repurchased its shares and designated as treasury shares in accordance with MFRS 132 "Financial Instruments: Presentation". Treasury shares consist of those own shares purchased pursuant to Section 67A of the Companies Act, 1965 and those purchased pursuant to ESOS scheme. Details of treasury shares are as detailed in Note 28 of the financial statements.

W Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statements of income over the period of the borrowings using the effective interest method.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

X Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources and assesses the performance of the operating segments of an entity. The Group has determined the Board of Directors as the collective body of chief operating decision makers.

Segment revenue, expense, assets and liabilities are those amount resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
2 Summary of significant accounting policies (continued)**Y Non-current assets/disposal groups held-for-sale**

Non-current assets/disposal groups are classified as assets held-for-sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

Z Share capital**(i) Classification**

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the substance of the particular instrument. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(ii) Share issue costs

Incremental external costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(iii) Dividends

Distributions to shareholders are recognised directly in equity and the corresponding liability is recognised in the period in which the dividends are approved.

(iv) Purchase of own shares

Where the Bank or its subsidiaries purchases the Bank's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental external costs, net of tax, is included in equity attributable to the Bank's equity holders as treasury shares until they are cancelled, reissued or disposed off. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Bank's equity holders.

AA Contingent assets and contingent liabilities

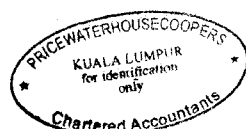
The Group does not recognise contingent assets and liabilities other than those arising from business combinations, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

AB Sale and repurchase agreements

Securities purchased under resale agreements are securities which the Group and the Bank had purchased with a commitment to re-sell at future dates. The commitment to re-sell the securities is reflected as an asset on the statements of financial position.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group had sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligation to repurchase the securities are reflected as a liability on the statements of financial position.

The difference between the sale and repurchase price as well as purchase and resale price is treated as interest and accrued over the life of the resale/repurchase agreement using the effective yield method.



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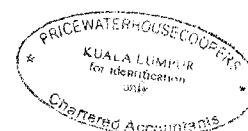
Company no: 97141-X
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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
3 Cash and short-term funds

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash and balances with banks and other financial institutions	1,875,416	1,604,676	1,775,389	1,409,476
Money at call and deposit placements maturing within one month	4,354,867	13,108,113	3,196,983	12,220,299
	6,230,283	14,712,789	4,972,372	13,629,775

4 Deposits and placements with banks and other financial institutions

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Licensed banks	3,013,217	3,225,772	3,373,883	3,206,479
Licensed investment banks	100,009	-	100,009	-
Bank Negara Malaysia ("BNM")	1,893	77,830	-	77,830
Other financial institutions	867,000	736,674	867,000	736,674
	3,982,119	4,040,276	4,340,892	4,020,983



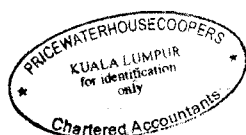
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)
Hong Leong Bank Berhad

Company no: 97141-X
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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
5 Financial assets held-for-trading

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Money market instruments				
Bank Negara Malaysia bills	383,325	848,000	383,325	550,140
Government treasury bills	78,632	197,064	78,632	88,751
Malaysian Government securities	67,769	27,242	67,769	27,242
Malaysian Government investment certificates	609,725	528,352	233,383	137,825
Bankers' acceptances and Islamic accepted bills	30,404	260,078	30,404	260,078
Negotiable instruments of deposits	5,328,784	8,774,899	5,697,230	8,427,396
Cagamas bonds	35,446	64,787	35,446	64,787
Khazanah bonds	-	37,439	-	-
	6,534,085	10,737,861	6,526,189	9,556,219
Quoted securities				
Shares outside Malaysia	3,394	3,883	3,394	3,883
Foreign currency bonds in Malaysia	375,822	243,175	375,822	243,175
	6,913,301	10,984,919	6,905,405	9,803,277
Unquoted securities				
Private and Islamic debt securities	218,133	231,963	218,133	231,963
Foreign currency bonds in Malaysia	-	97,594	-	97,594
	7,131,434	11,314,476	7,123,538	10,132,834

Included in the financial assets held-for-trading are foreign currency bonds, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM Nil (2014: RM124,260,000).



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)
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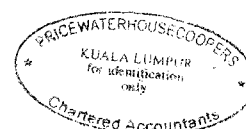
**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
6 Financial investments available-for-sale

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Money market instruments				
Government treasury bills	168,553	546,703	168,553	546,703
Malaysian Government securities	10,684	1,288,604	10,684	1,288,604
Malaysian Government investment certificates	3,461,207	2,538,447	1,836,986	917,089
Other Government securities	277,911	475,893	-	-
Cagamas bonds	886,276	946,547	704,900	855,878
Khazanah bonds	345,140	208,615	345,140	208,615
	<u>5,149,771</u>	<u>6,004,809</u>	<u>3,066,263</u>	<u>3,816,889</u>
Quoted securities				
Shares in Malaysia	16,646	47,429	16,646	47,429
Shares outside Malaysia	25	23	25	23
Wholesale fund	3,206,328	2,001,515	3,206,328	2,001,515
Foreign currency bonds in Malaysia	4,380,452	3,224,143	4,220,916	3,130,326
Foreign currency bonds outside Malaysia	1,452,826	727,868	1,452,826	727,868
	<u>14,206,048</u>	<u>12,005,787</u>	<u>11,963,004</u>	<u>9,724,050</u>
Unquoted securities				
Private debt securities in Malaysia	5,452,867	4,166,190	4,758,996	3,503,142
Shares in Malaysia	392,833	366,027	392,833	365,980
Shares outside Malaysia	4,134	3,506	4,134	3,506
Foreign currency bonds in Malaysia	259,070	143,242	259,070	143,242
	<u>20,314,952</u>	<u>16,684,752</u>	<u>17,378,037</u>	<u>13,739,920</u>
Allowance for impairment losses	(7,599)	(7,543)	(7,599)	(7,543)
	<u>20,307,353</u>	<u>16,677,209</u>	<u>17,370,438</u>	<u>13,732,377</u>

The table below shows the movements in allowance for impairment losses during the financial year for the Group and the Bank:

	The Group and The Bank	
	2015 RM'000	2014 RM'000
At 1 July	7,543	15,742
Amount written back in respect of recoveries	(5,218)	(8,199)
Amount transferred from individual assessment impairment allowance of loans, advances and financing	5,274	-
At 30 June	<u>7,599</u>	<u>7,543</u>

Included in the financial investments available-for-sale are foreign currency bonds, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM1,073,047,000 (2014: RM1,065,526,000).



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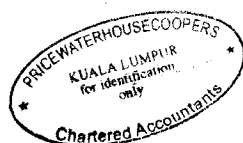
**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
7 Financial investments held-to-maturity

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Money market instruments				
Malaysian Government securities	2,952,499	3,069,415	2,952,499	3,069,415
Malaysian Government investment certificates	6,529,307	5,374,048	4,965,307	3,927,829
Cagamas bonds	30,454	96,455	20,127	55,658
Negotiable instruments of deposits	2,338	3,718	501,817	647,339
Other Government securities	335,159	253,646	124,456	75,514
	<u>9,849,757</u>	<u>8,797,282</u>	<u>8,564,206</u>	<u>7,775,755</u>
Unquoted securities in Malaysia				
Loan stocks	6,404	8,793	6,404	8,793
Private and Islamic debt securities	45,789	66,751	-	-
Unquoted bonds	120,448	132,727	120,448	132,727
Investment in preference shares	54,000	52,000	54,000	52,000
	<u>10,076,398</u>	<u>9,057,553</u>	<u>8,745,058</u>	<u>7,969,275</u>
Allowance for impairment losses	(126,317)	(140,985)	(126,317)	(140,985)
	<u>9,950,081</u>	<u>8,916,568</u>	<u>8,618,741</u>	<u>7,828,290</u>

The table below shows the movements in allowance for impairment losses during the financial year for the Group and the Bank:

	The Group and The Bank	
	2015 RM'000	2014 RM'000
At 1 July	140,985	165,800
Amount written back in respect of recoveries	(14,668)	(24,815)
At 30 June	<u>126,317</u>	<u>140,985</u>

Included in the financial investments held-to-maturity are Malaysian Government securities, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM2,313,740,000 (2014: RM2,829,829,000). The fair value of the Malaysian Government securities as at 30 June 2015 is RM2,315,336,000 (2014: RM2,833,623,000).



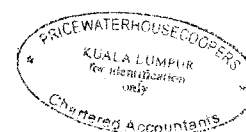
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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
8 Loans, advances and financing

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Overdrafts	4,005,025	4,104,535	3,787,272	3,944,594
Term loans/financing:				
- Housing and shop loans/financing	53,828,770	46,563,762	45,074,437	38,974,919
- Syndicated/term loans or financing	9,038,647	7,799,610	7,944,110	7,078,739
- Hire purchase receivables	18,099,246	17,405,481	14,631,741	13,940,555
- Other term loans/financing	8,676,463	8,684,556	7,151,025	7,089,671
Credit/charge card receivables	3,889,314	4,192,192	3,889,314	4,192,192
Bills receivable	1,166,833	1,116,670	1,155,997	1,109,346
Trust receipts	322,780	296,587	251,752	256,166
Claims on customers under acceptance credits	7,369,680	8,118,324	7,051,254	7,420,281
Block discounting	14	253	14	253
Revolving credit	6,549,079	5,545,623	5,301,689	4,897,352
Staff loans/financing	167,479	171,911	154,767	158,309
Other loans/financing	304,960	169,145	297,986	162,964
Gross loans, advances and financing	113,418,290	104,168,649	96,691,358	89,225,341
Unamortised fair value changes arising from terminated fair value hedges	(2,188)	(1,516)	547	3,431
Allowance for impaired loans, advances and financing:				
- Collective assessment allowance	(969,033)	(1,076,604)	(822,488)	(922,286)
- Individual assessment allowance	(322,960)	(511,453)	(305,924)	(433,037)
	(1,291,993)	(1,588,057)	(1,128,412)	(1,355,323)
Total net loans, advances and financing	112,124,109	102,579,076	95,563,493	87,873,449

Fair value hedges previously undertaken on the interest rate risk of loans, advances and financing are now terminated.



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

8 Loans, advances and financing (continued)

(i) The maturity structure of loans, advances and financing is as follows:

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Maturing within:				
- one year	28,564,745	27,515,823	26,844,178	25,657,871
- one year to three years	7,821,134	8,208,062	6,499,875	6,717,890
- three years to five years	10,257,963	9,659,310	8,464,914	8,048,496
- over five years	66,774,448	58,785,454	54,882,391	48,801,084
Gross loans, advances and financing	113,418,290	104,168,649	96,691,358	89,225,341

(ii) The loans, advances and financing are disbursed to the following types of customers:

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Domestic non-bank financial institutions other than stockbroking companies	638,549	278,231	88,620	94,328
Domestic business enterprises:				
- small and medium enterprises	17,771,812	16,295,719	16,036,000	15,056,080
- others	18,372,803	19,182,004	15,997,698	16,673,126
Government and statutory bodies	24,448	28,345	12,473	12,945
Individuals	70,958,690	63,928,055	59,198,892	53,298,312
Other domestic entities	171,386	158,579	144,676	119,786
Foreign entities	5,480,602	4,297,716	5,212,999	3,970,764
Gross loans, advances and financing	113,418,290	104,168,649	96,691,358	89,225,341



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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
8 Loans, advances and financing (continued)

(iii) Loans, advances and financing analysed by interest rate/profit rate sensitivity are as follows:

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fixed rate:				
- Housing and shop loans/financing	3,575,427	2,838,586	2,347,397	1,694,863
- Hire purchase receivables	17,537,151	17,254,282	14,069,645	13,789,357
- Credit card	3,889,314	4,192,192	3,889,314	4,192,192
- Other fixed rate loan/financing	3,489,816	2,665,287	2,722,839	1,908,389
Variable rate:				
- Base rate/base lending rate plus	68,912,319	61,970,968	59,493,564	53,945,326
- Cost plus	15,694,860	14,934,610	14,168,599	13,695,214
- Other variable rates	319,403	312,724	-	-
Gross loans, advances and financing	113,418,290	104,168,649	96,691,358	89,225,341

(iv) Loans, advances and financing analysed by their economic purposes are as follows:

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Purchase of securities	704,762	762,695	694,801	749,293
Purchase of transport vehicles	18,020,496	17,292,162	14,509,560	13,805,110
Residential property (housing)	45,306,604	39,000,324	37,505,118	32,307,912
Non-residential property	14,231,669	12,370,138	12,892,318	11,260,737
Purchase of fixed assets (excluding landed properties)	462,979	530,527	421,120	485,549
Personal use	3,523,573	3,370,722	2,945,941	2,724,900
Credit card	3,889,314	4,192,192	3,889,314	4,192,192
Purchase of consumer durables	418	445	418	444
Construction	1,257,882	1,163,043	1,049,262	1,058,646
Mergers and acquisition	258,988	303,096	258,988	303,096
Working capital	23,432,987	22,573,362	20,396,334	19,987,905
Other purpose	2,328,618	2,609,943	2,128,184	2,349,557
Gross loans, advances and financing	113,418,290	104,168,649	96,691,358	89,225,341



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)
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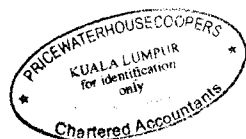
**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
8 Loans, advances and financing (continued)

(v) Loans, advances and financing analysed by their geographical distribution are as follows:

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
In Malaysia	109,283,009	101,088,811	93,141,474	86,545,396
Outside Malaysia:				
- Singapore	3,529,821	2,675,129	3,529,821	2,675,129
- Hong Kong	20,063	4,816	20,063	4,816
- Vietnam	319,403	312,724	-	-
- Cambodia	265,994	87,169	-	-
Gross loans, advances and financing	113,418,290	104,168,649	96,691,358	89,225,341

(vi) Impaired loans, advances and financing analysed by their economic purposes are as follows:

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Purchase of securities	235	758	235	758
Purchase of transport vehicles	184,069	225,697	144,718	176,973
Residential property (housing)	207,232	213,583	148,743	152,070
Non-residential property	46,190	47,737	43,695	40,163
Purchase of fixed assets (excluding landed properties)	34,188	37,484	32,943	36,092
Personal use	34,714	34,940	30,000	27,449
Credit card	42,907	53,058	42,907	53,058
Purchase of consumer durables	4	4	4	4
Construction	4,114	4,379	2,082	2,247
Working capital	365,444	572,014	348,978	494,221
Other purpose	28,863	42,081	28,495	42,080
Gross impaired loans, advances and financing	947,960	1,231,735	822,800	1,025,115



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)
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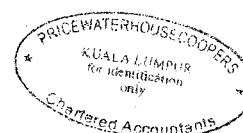
**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
8 Loans, advances and financing (continued)

(vii) Movements in the impaired loans, advances and financing are as follows:

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 July	1,231,735	1,359,443	1,025,115	1,154,173
Impaired during the financial year	1,525,359	1,705,427	1,275,080	1,439,645
Performing during the financial year	(792,443)	(897,336)	(637,758)	(732,219)
Amount written back in respect of recoveries	(480,590)	(507,069)	(403,171)	(452,330)
Amount written off	(541,798)	(431,273)	(436,696)	(385,673)
Exchange difference	5,697	2,543	230	1,519
At 30 June	947,960	1,231,735	822,800	1,025,115
Gross impaired loans as a % of gross loans, advances and financing	0.8%	1.2%	0.9%	1.1%

(viii) Impaired loans, advances and financing analysed by their geographical distribution are as follows:

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
In Malaysia	935,235	1,218,521	822,800	1,025,115
Outside Malaysia:				
- Vietnam	12,725	13,214	-	-
Gross impaired loans, advances and financing	947,960	1,231,735	822,800	1,025,115



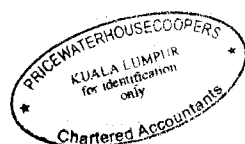
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)
Hong Leong Bank Berhad

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
8 Loans, advances and financing (continued)

(ix) Movements in the allowance for impaired loans, advances and financing are as follows:

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Collective assessment allowance				
At 1 July	1,076,604	1,259,563	922,286	1,032,022
Net allowances made during the financial year	213,457	254,706	189,171	274,988
Amount transferred to individual assessment	(94)	(1,915)	(94)	(1,915)
Amount written off	(310,003)	(367,890)	(279,587)	(325,171)
Unwinding income	(12,129)	(68,545)	(9,802)	(58,362)
Exchange difference	1,198	685	514	724
At 30 June	<u>969,033</u>	<u>1,076,604</u>	<u>822,488</u>	<u>922,286</u>
Individual assessment allowance				
At 1 July	511,453	526,018	433,037	450,107
Allowances made during the financial year	80,769	140,023	63,314	135,014
Amount transferred from collective assessment	94	1,915	94	1,915
Amount transferred to allowance for impairment losses on securities	(5,274)	-	(5,274)	-
Amount written back in respect of recoveries	(130,588)	(108,808)	(105,052)	(105,426)
Amount written off	(132,862)	(41,618)	(75,368)	(41,618)
Unwinding income	(5,360)	(7,112)	(5,057)	(6,994)
Exchange difference	4,728	1,035	230	39
At 30 June	<u>322,960</u>	<u>511,453</u>	<u>305,924</u>	<u>433,037</u>



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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
9 Amount due from subsidiaries

	The Bank	
	2015 RM'000	2014 RM'000
Intercompany settlement	12,984	11,437

Amount due from subsidiaries is unsecured, interest free, repayable on demand and is denominated in Ringgit Malaysia.

10 Statutory deposits with Central Banks

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Statutory deposits with Bank Negara Malaysia (BNM) *	3,423,201	3,131,897	2,859,590	2,591,500
Statutory deposits with the National Bank of Cambodia #	52,991	18,745	-	-
	<u>3,476,192</u>	<u>3,150,642</u>	<u>2,859,590</u>	<u>2,591,500</u>

* The non-interest bearing statutory deposits are maintained with BNM in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amount of which is determined at set percentages of total eligible liabilities.

The statutory deposits maintained by Hong Leong Bank (Cambodia) PLC ("HLBCAM"), a subsidiary of the Bank, with the National Bank of Cambodia ("NBC") in compliance with Article 5 of NBC Prakas No. B7-01-136, the amounts of which are determined as set percentages of HLBCAM issued share capital. The statutory deposits bear interest rates ranging from 0.08% to 0.1% per annum.



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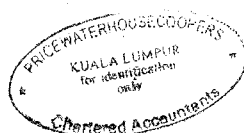
**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

11 Subsidiary companies

	The Bank	
	2015	2014
	RM'000	RM'000
<u>Investment in subsidiary companies</u>		
Unquoted shares, at cost:		
- in Malaysia	704,340	704,340
- outside Malaysia	615,383	615,383
	1,319,723	1,319,723
<u>Subordinated facilities issued by subsidiary company</u>		
Subordinated financing facility issued by HLBCAM		
	38,720	32,436
	1,358,443	1,352,159

The subsidiary companies of the Bank are as follows:

Name	Percentage (%) of equity held		Principal activities
	2015	2014	
(a) Hong Leong Islamic Bank Berhad	100	100	Islamic Banking business and related financial services
(b) HLB Principal Investments (L) Limited and its subsidiary company:	100	100	Holding of or dealing in offshore securities and investment holding
- Promino Sdn Bhd	100	100	Ceased operations
(c) EB Nominees (Tempatan) Sdn Bhd	100	100	Nominees services
(d) EB Nominees (Asing) Sdn Bhd	100	100	Nominees services
(e) EB Realty Sdn Bhd	100	100	Property investment
(f) OBB Realty Sdn Bhd	100	100	Property investment
(g) HLF Credit (Perak) Bhd and its subsidiary companies:	100	100	Investment holding
(i) Gensource Sdn Bhd and its subsidiary company:	100	100	Investment holding
- Pelita Terang Sdn Bhd	100	100	Dormant
(ii) WTB Corporation Sdn Bhd ("WTB") and its subsidiary companies:	100	100	Investment holding
- Wah Tat Nominees (Tempatan) Sdn Bhd	100	100	In member's voluntary liquidation
- Wah Tat Nominees (Asing) Sdn Bhd	100	100	In member's voluntary liquidation
(iii) Chew Geok Lin Finance Sdn Bhd	100	100	Investment holding
(iv) Hong Leong Leasing Sdn Bhd *	100	100	Investment holding
(v) HL Leasing Sdn Bhd	100	100	Investment holding
(vi) HLB Realty Sdn Bhd	100	100	Real property investment and investment holding
(h) HLB Nominees (Tempatan) Sdn Bhd	100	100	Agent and nominee for Malaysian clients
(i) HLB Nominees (Asing) Sdn Bhd	100	100	Agent and nominee for foreign clients
(j) HL Bank Nominees (Singapore) Pte Ltd +	100	100	Agent and nominee for clients



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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
11 Subsidiary companies (continued)

The subsidiary companies of the Bank are as follows: (continued)

Name	Percentage (%) of equity held		Principal activities
	2015	2014	
(k) HLB Trade Services (Hong Kong) Limited +	100	100	Ceased operations
(l) Hong Leong Bank Vietnam Limited *	100	100	Commercial banking business
(m) Hong Leong Bank (Cambodia) PLC +	100	100	Commercial banking business
(n) Prominic Berhad	100	100	To issue Subordinated Notes under a Stapled Securities structure and to on-lend the proceeds from the issuance to Hong Leong Bank Berhad, the issuer of the Capital Securities
(o) Promitol Sdn Bhd	100	100	In member's voluntary liquidation
(p) Promilia Berhad	100	100	Dormant
(q) Unincorporated trust for ESOS Ω *	-	-	Special purpose vehicle

* Not audited by PricewaterhouseCoopers

+ Audited by member firms of PricewaterhouseCoopers International

Ω Deemed subsidiaries pursuant to MFRS 10 "Consolidated Financial Statements"

All the subsidiary companies are incorporated in Malaysia with the exception of HL Bank Nominees (Singapore) Pte Ltd which is incorporated in Singapore, HLB Trade Services (Hong Kong) which is incorporated in Hong Kong, Allegra Capital Investments Ltd and GoldPearl International Ltd which are incorporated in the British Virgin Islands, Hong Leong Bank Vietnam Limited which is incorporated in Vietnam and Hong Leong Bank (Cambodia) PLC which is incorporated in Cambodia.



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)
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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
12 Investment in joint venture

	The Group		The Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Unquoted shares outside Malaysia, at cost	76,711	76,711	76,711	76,711
Cumulative share of results	29,770	13,369	-	-
Exchange fluctuation reserve	22,309	-	-	-
	128,790	90,080	76,711	76,711

(a) Information about joint venture

Name	Country of incorporation	The Group		Principal activity
		Percentage (%) of equity held 2015	2014	
Sichuan Jincheng Consumer Finance Limited Company ("CFC")	China	49%	49%	Consumer finance

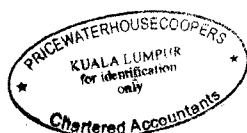
On 1 March 2010, HLB together with BOCD, obtained operation approval from China Banking Regulatory Commission ("CBRC") for Sichuan Jincheng Consumer Finance Limited Company ("JV Co"), a joint venture company that is part of the first batch of approved companies, to start consumer finance operations in Central and Western China. This JV Co focuses primarily in the consumer financing business with HLB having a 49% equity interest and BOCD having a 51% equity interest in the JV Co. This strategic alliance between HLB and BOCD to tap into the promising and growing financial services sector in China further cements the Bank's strategic partnership in BOCD and affirms the Bank's vision and belief in the huge potential of China.

CFC is a private company and there is no quoted market price available for its shares.

(b) Summarised financial information of the joint venture, which are accounted for using the equity method is as follows:

	The Group	
	2015	2014
	RM'000	RM'000
Total assets	840,048	496,506
Total liabilities	(577,211)	(312,669)
Net assets	262,837	183,837

There are no commitments or contingent liabilities relating to the Group's interest in the joint venture.



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

12 Investment in joint venture (continued)

	The Group	
	2015 RM'000	2014 RM'000
Interest income	106,593	76,104
Interest expenses	(27,254)	(14,110)
Non-interest income	19,820	78
Profit before taxation	44,629	28,348
Profit after taxation	<u>33,471</u>	<u>20,684</u>
Share of results of joint venture (%)	49%	49%
Share of results of joint venture (RM'000)	<u>16,401</u>	<u>10,135</u>

- (c) Reconciliation of the summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	The Group	
	2015 RM'000	2014 RM'000
Opening net assets as at 1 July	183,837	163,153
Profit for the financial year	33,471	20,684
Exchange fluctuation reserve	45,529	-
Closing net assets as at 30 June	<u>262,837</u>	<u>183,837</u>
Interest in jointly controlled entity (%)	49%	49%
Interest in jointly controlled entity (RM'000)	<u>128,790</u>	<u>90,080</u>

The information presented above is based on the financial statements of the joint venture after reflecting adjustments made by the Group when using the equity method, such as differences in accounting policies between the Group and the joint venture.



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**Notes to the financial statements
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13 Investment in associated companies

	The Group		The Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost:				
- outside Malaysia	946,505	946,505	946,505	946,505
- in Malaysia	20	-	20	-
Cumulative share of results, net of dividends received	1,453,940	1,119,557	-	-
Cumulative share of changes in other comprehensive income/(loss)	10,548	(2,762)	-	-
Exchange fluctuation reserve	566,763	-	-	-
	2,977,776	2,063,300	946,525	946,505

(a) Information about associated companies

Name	Country of incorporation	The Group		Principal activities
		Percentage (%) of equity held 2015	2014	
Bank of Chengdu Co., Ltd. ("BOCD")	China	20%	20%	Commercial banking
Community CSR Sdn Bhd ("CCSR")	Malaysia	20%	20%	Investment holding

Nature of relationship
(i) BOCD

On 25 October 2007, HLB entered into a Share Subscription Agreement with Bank of Chengdu Co., Ltd. ("BOCD") to subscribe for new shares representing 19.99% equity interest of the Enlarged Capital in BOCD. BOCD is a leading commercial bank in Western and Central China with its base in Chengdu, the capital of Sichuan Province. The Proposed Subscription will enable HLB to enter into a strategic alliance with BOCD to tap into the promising and growing financial services sector of China. It will strengthen and diversify the earnings base of HLBB.

(ii) CCSR

In 2011, HLB subscribed to RM50 million Cumulative Redeemable Preference Shares ("CRPS") in Jana Pendidikan Malaysia Sdn Bhd. For every RM1 million of subscription of CRPS, the Bank is entitled to subscribe for 1 ordinary share of RM1 each in CCSR. As such, the Bank subscribed for 50 CCSR shares of RM1 each for cash at par which represent 20% equity interest of CCSR.

In November 2014, HLB subscribed to additional 19,950 CCSR Rights Issue of RM1 each.

Both BOCD and CCSR are private companies and there is no quoted market price available for their shares.

The Group deems BOCD as material associated company.



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**Notes to the financial statements
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13 Investment in associated companies (continued)

- (b) The summarised financial information of the material associated company, BOCD, which is accounted for using the equity method is as follows:

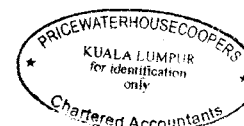
	The Group	
	2015	2014
	RM'000	RM'000
Total assets	192,678,902	143,944,995
Total liabilities	(177,790,122)	(133,628,495)
Net assets	<u>14,888,780</u>	<u>10,316,500</u>
	The Group	
	2015	2014
	RM'000	RM'000
Interest income	8,299,667	7,049,249
Interest expenses	(3,622,526)	(3,015,749)
Non-interest income	247,973	361,385
Profit before taxation	2,378,765	2,383,505
Profit after taxation	2,006,385	1,842,450
Dividends paid by the associated company during the financial year	<u>334,470</u>	<u>280,430</u>
Share of results of associated company (%)	20%	20%
Share of results of associated company (RM'000)	<u>401,277</u>	<u>368,490</u>

- (c) Reconciliation of the summarised financial information to the carrying amount of the interest in the material associated company recognised in the consolidated financial statements:

	The Group	
	2015	2014
	RM'000	RM'000
Opening net assets as at 1 July	10,316,500	8,764,745
Profit for the financial year	2,006,385	1,842,450
Other comprehensive income/(loss) for the financial year	66,550	(10,265)
Dividends paid	(334,470)	(280,430)
Exchange fluctuation reserve	2,833,815	-
Closing net assets as at 30 June	<u>14,888,780</u>	<u>10,316,500</u>
Interest in associated company (%)	20%	20%
Interest in associated company (RM'000)	<u>2,977,756</u>	<u>2,063,300</u>

The information presented above is based on the financial statements of the associated company after reflecting adjustments made by the Group when using the equity method, such as fair value adjustments made at the time of acquisition and differences in accounting policies between the Group and the associated company.

The summarised financial information above represents amount shown in the material associate's financial statements prepared in accordance with MFRSs (adjusted by the Group for equity accounting purposes).



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**Notes to the financial statements
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14 Property and equipment



The Group 2015 Cost	Buildings		Leasehold		Buildings on leasehold		Buildings on leasehold		Office furniture, fittings, equipment and renovations		Computer equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land less than 50 years RM'000	Leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000	Office furniture, fittings, equipment and renovations RM'000							
97,965	191,940	5,271	22,696	2,944	106,351	466,791	694,844	8,640	52,824	1,650,266				
(37,133)	(157,144)	(1,821)	7,082	(2,212)	(5,551)	47,245	112,943	975	30,361	191,524				
-	-	-	-	-	-	1,917	(16,053)	(1,730)	-	(226,025)				
60,832	34,796	3,450	29,778	732	100,800	504,490	795,666	7,982	83,228	1,621,754				
-	22,544	2,856	2,899	902	25,302	346,492	517,718	5,968	-	924,681				
-	4,607	45	584	15	2,027	25,991	36,361	1,189	-	70,819				
-	(13,562)	(741)	180	(500)	(13,205)	(10,820)	(16,188)	(1,730)	-	(56,566)				
-	-	-	-	-	-	1,259	2,884	98	-	4,241				
-	13,589	2,160	3,663	417	14,124	362,922	540,775	5,525	-	943,175				
60,832	21,207	1,290	26,115	315	86,676	141,568	254,891	2,457	83,228	678,579				

Net book value as at
30 June 2015

During the financial year ended 30 June 2015, the management initiated a group-wide review of useful lives, taking into account historical experience and expected future development in relation to technology changes and market conditions. In accordance with MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors", this change in useful lives of property and equipment is being accounted for prospectively and has resulted in a reduction in depreciation charge for the financial year of RM43.42 million from what it would otherwise have been. It is impracticable to estimate future savings derived from changes in depreciation rates.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Bank Berhad

Company no: 97141-X
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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

14 Property and equipment (continued)

The Group	Freehold land		Buildings on freehold land		Leasehold land less than 50 years		Leasehold land or more than 50 years		Buildings on leasehold land less than 50 years		Buildings on leasehold land or more than 50 years		Office furniture, fittings, equipment and renovations		Computer equipment		Motor vehicles		Capital work-in-progress		Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
2014																					
Cost																					
At 1 July	97,965	192,585	5,271	22,696	2,944	106,351	461,785	693,943	8,085	87,448	1,679,073										
Additions/Transfers	-	-	-	-	-	-	52,361	85,993	1,916	(34,638)	105,832										
Disposals/Write off	-	(645)	-	-	-	-	(47,771)	(85,753)	(1,390)	-	(135,559)										
Exchange fluctuation	-	-	-	-	-	-	216	661	29	14	920										
At 30 June	97,965	191,940	5,271	22,696	2,944	106,351	466,791	694,844	8,640	52,824	1,650,266										
Accumulated depreciation																					
At 1 July	-	22,356	2,646	2,499	897	20,145	344,115	542,450	6,430	-	941,538										
Charge for the financial year	-	424	210	400	5	5,157	45,445	57,647	905	-	110,193										
Disposals/Write off	-	(236)	-	-	-	-	(43,188)	(82,738)	(1,389)	-	(127,551)										
Exchange fluctuation	-	-	-	-	-	-	120	359	22	-	501										
At 30 June	-	22,544	2,856	2,899	902	25,302	346,492	517,718	5,968	-	924,681										
Net book value as at 30 June 2014	97,965	169,396	2,415	19,797	2,042	81,049	120,299	177,126	2,672	52,824	725,585										

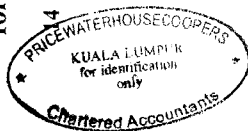
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Bank Berhad

Company no: 97141-X
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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

14 Property and equipment (continued)



The Bank	Freehold land		Buildings on freehold land		Leasehold land less than 50 years or more		Buildings on leasehold land less than 50 years or more		Buildings on leasehold land 50 years or more		Office furniture, fittings, equipment and renovations		Computer equipment		Motor vehicles		Capital work-in-progress		Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
2015																					
Cost																					
At 1 July	88,390	189,158	4,011	21,645	2,674	102,507	449,086	677,708	8,396	51,477	1,595,052										
Additions/Transfers	-	-	-	-	-	-	35,160	105,062	681	25,199	166,102										
Disposals/Write off/Reclassification	(37,339)	(157,549)	(1,821)	7,082	(2,203)	(4,949)	(11,043)	(15,933)	(1,730)	-	(225,485)										
Exchange fluctuation	-	-	-	-	-	-	592	2,374	97	-	3,063										
At 30 June	51,051	31,609	2,190	28,727	471	97,558	473,795	769,211	7,444	76,676	1,538,732										
Accumulated depreciation																					
At 1 July	-	21,296	1,597	2,675	812	23,042	335,567	507,131	5,830	-	897,950										
Charge for the financial year	-	4,556	45	575	10	1,950	23,837	34,632	1,086	-	66,691										
Disposals/Write off/Reclassification	-	(14,171)	(741)	173	(502)	(12,587)	(10,445)	(16,071)	(1,730)	-	(56,074)										
Exchange fluctuation	-	-	-	-	-	-	457	1,828	96	-	2,381										
At 30 June	-	11,681	901	3,423	320	12,405	349,416	527,520	5,282	-	910,948										
Net book value as at 30 June 2015	51,051	19,928	1,289	25,304	151	85,153	124,379	241,691	2,162	76,676	627,784										

During the financial year ended 30 June 2015, the management initiated a group-wide review of useful lives, taking into account historical experience and expected future development in relation to technology changes and market conditions. In accordance with MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors", this change in useful lives of property and equipment is being accounted for prospectively and has resulted in a reduction in depreciation charge for the financial year of RM42.79 million from what it would otherwise have been. It is impracticable to estimate future savings derived from changes in depreciation rates.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Bank Berhad

Company no: 97141-X
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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

14 Property and equipment (continued)

The Bank	Freehold land	Buildings on freehold land	Leasehold land less than 50 years	Leasehold land 50 years or more	Buildings on leasehold land less than 50 years	Buildings on leasehold land 50 years or more	Office furniture, fittings, equipment and renovations	Computer equipment	Motor vehicles	Capital work-in-progress	Total
2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost											
At 1 July	88,390	189,803	4,011	21,645	2,674	102,507	447,069	680,123	7,480	86,990	1,630,692
Additions/Transfers	-	-	-	-	-	-	48,097	81,724	1,916	(35,513)	96,224
Disposals/Write off	-	(645)	-	-	-	-	(46,247)	(84,723)	(1,029)	-	(132,644)
Exchange fluctuation	-	-	-	-	-	-	167	584	29	-	780
At 30 June	88,390	189,158	4,011	21,645	2,674	102,507	449,086	677,708	8,396	51,477	1,595,052
Accumulated depreciation											
At 1 July	-	21,159	1,387	2,285	812	17,962	334,196	533,889	6,039	-	917,729
Charge for the financial year	-	373	210	390	-	5,080	43,217	55,049	797	-	105,116
Disposals/Write off	-	(236)	-	-	-	-	(41,960)	(82,159)	(1,028)	-	(125,383)
Exchange fluctuation	-	-	-	-	-	-	114	352	22	-	488
At 30 June	-	21,296	1,597	2,675	812	23,042	335,567	507,131	5,830	-	897,950
Net book value as at 30 June 2014	88,390	167,862	2,414	18,970	1,862	79,465	113,519	170,577	2,566	51,477	697,102



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

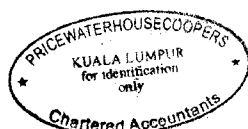
Hong Leong Bank Berhad

Company no: 97141-X
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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

15 Intangible assets

The Group	Core deposits RM'000	Customer relationships RM'000	Computer software RM'000	Total RM'000
2015				
Cost or valuation				
At 1 July	152,434	127,426	448,756	728,616
Additions	-	-	41,305	41,305
Written off	-	-	(8,622)	(8,622)
Exchange fluctuation	-	-	2,546	2,546
At 30 June	152,434	127,426	483,985	763,845
Amortisation and impairment				
At 1 July	68,958	40,352	271,515	380,825
Amortisation during the financial year	21,776	12,743	34,968	69,487
Written off	-	-	(5,747)	(5,747)
Exchange fluctuation	-	-	1,173	1,173
At 30 June	90,734	53,095	301,909	445,738
Net book value as at 30 June 2015	61,700	74,331	182,076	318,107
	Core deposits RM'000	Customer relationships RM'000	Computer software RM'000	Total RM'000
2014				
Cost or valuation				
At 1 July	152,434	127,426	441,362	721,222
Additions	-	-	84,368	84,368
Written off	-	-	(77,027)	(77,027)
Exchange fluctuation	-	-	53	53
At 30 June	152,434	127,426	448,756	728,616
Amortisation and impairment				
At 1 July	47,182	27,609	277,016	351,807
Amortisation during the financial year	21,776	12,743	62,983	97,502
Written off	-	-	(68,462)	(68,462)
Exchange fluctuation	-	-	(22)	(22)
At 30 June	68,958	40,352	271,515	380,825
Net book value as at 30 June 2014	83,476	87,074	177,241	347,791



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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Company no: 97141-X
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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

15 Intangible assets (continued)

The Bank	Core deposits RM'000	Customer relationships RM'000	Computer software RM'000	Total RM'000
2015				
Cost or valuation				
At 1 July	152,434	127,426	425,912	705,772
Additions	-	-	37,040	37,040
Written off	-	-	(8,561)	(8,561)
At 30 June	152,434	127,426	454,391	734,251
Amortisation and impairment				
At 1 July	68,958	40,352	261,143	370,453
Amortisation during the financial year	21,776	12,743	32,174	66,693
Written off	-	-	(5,696)	(5,696)
At 30 June	90,734	53,095	287,621	431,450
Net book value as at 30 June 2015	61,700	74,331	166,770	302,801
	Core deposits RM'000	Customer relationships RM'000	Computer software RM'000	Total RM'000
2014				
Cost or valuation				
At 1 July	152,434	127,426	428,938	708,798
Additions	-	-	73,994	73,994
Written off	-	-	(77,020)	(77,020)
At 30 June	152,434	127,426	425,912	705,772
Amortisation and impairment				
At 1 July	47,182	27,609	271,152	345,943
Amortisation during the financial year	21,776	12,743	58,450	92,969
Written off	-	-	(68,459)	(68,459)
At 30 June	68,958	40,352	261,143	370,453
Net book value as at 30 June 2014	83,476	87,074	164,769	335,319

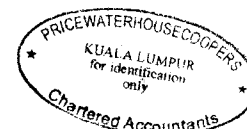
Customer relationships acquired in a business combination have value when they represent an identifiable and predictable source of future cash flows to the combined business.

The valuation of business banking customer relationships was determined using an income approach, specifically the multi-period excess earnings method ("MEEM"). This was done by discounting forecasted incremental customer revenues attributable solely to EON Banking Group's existing business banking customer.

Core deposits comprising savings and current accounts are low cost source of funds. The valuation of core deposits was derived using an income approach, specifically the cost savings method under the incremental cash flow method. This was done by discounting forecast net interest savings from core deposits.

The discount rate used in discounting incremental cash flows was based on the risk associated with the identified intangible assets. The remaining amortisation period of core deposits and customer relationships are 3 to 6 years respectively.

During the financial year ended 30 June 2015, the management initiated a group-wide review of useful lives, taking into account historical experience and expected future development in relation to technology changes and market conditions. In accordance with MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors", this change in useful lives of intangible assets is being accounted for prospectively and has resulted in a reduction in amortisation charges for the financial year for the Group and the Bank of RM30.20 million and RM29.40 million respectively from what it would otherwise have been. It is impracticable to estimate future savings derived from changes in depreciation rates.



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

16 Deferred taxation

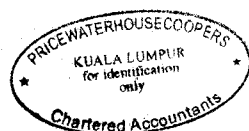
	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deferred tax assets	126,662	92,616	125,266	90,586
Deferred tax liabilities	(203,752)	(226,377)	(200,938)	(225,505)
Deferred tax liabilities (net)	<u>(77,090)</u>	<u>(133,761)</u>	<u>(75,672)</u>	<u>(134,919)</u>

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deferred tax assets				
- To be recovered within 12 months	90,212	69,194	88,817	67,164
- To be recovered after more than 12 months	36,450	23,422	36,449	23,422
	<u>126,662</u>	<u>92,616</u>	<u>125,266</u>	<u>90,586</u>
Deferred tax liabilities				
- To be recovered within 12 months	(9,938)	(16,941)	(9,903)	(16,771)
- To be recovered after more than 12 months	(193,814)	(209,436)	(191,035)	(208,734)
	<u>(203,752)</u>	<u>(226,377)</u>	<u>(200,938)</u>	<u>(225,505)</u>
	<u>(77,090)</u>	<u>(133,761)</u>	<u>(75,672)</u>	<u>(134,919)</u>

The movements in deferred tax assets and liabilities during the financial year are as follows:

The Group	Note	Property and equipment RM'000	Financial instruments available- for-sale RM'000	Cash flow hedge reserve RM'000	Intangible assets RM'000	Senior bonds RM'000	Other temporary differences RM'000	Total RM'000
Deferred tax assets/(liabilities)								
2015								
At 1 July		(101,146)	(82,593)	-	(42,638)	22,688	69,928	(133,761)
(Charged)/Credited to statements of income	37	17,846	(145)	-	8,630	86,250	(52,204)	60,377
Charged in equity	40	-	(3,652)	(54)	-	-	-	(3,706)
At 30 June		<u>(83,300)</u>	<u>(86,390)</u>	<u>(54)</u>	<u>(34,008)</u>	<u>108,938</u>	<u>17,724</u>	<u>(77,090)</u>
2014								
At 1 July		(92,660)	(71,231)	-	(51,267)	15,038	88,685	(111,435)
(Charged)/Credited to statements of income	37	(8,486)	25	-	8,629	7,650	(18,757)	(10,939)
Charged in equity	40	-	(11,387)	-	-	-	-	(11,387)
At 30 June		<u>(101,146)</u>	<u>(82,593)</u>	<u>-</u>	<u>(42,638)</u>	<u>22,688</u>	<u>69,928</u>	<u>(133,761)</u>



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

16 Deferred taxation (continued)

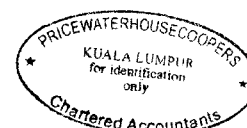
The movements in deferred tax assets and liabilities during the financial year are as follows: (continued)

The Bank	Note	Property and equipment RM'000	Financial instruments available-for-sale RM'000	Cash flow hedge reserve RM'000	Intangible assets RM'000	Senior bonds RM'000	Other temporary differences RM'000	Total RM'000
Deferred tax assets/(liabilities)								
2015								
At 1 July		(99,424)	(83,443)	-	(42,638)	22,688	67,898	(134,919)
(Charged)/Credited to statements of income	37	17,856	(144)	-	8,630	86,250	(51,570)	61,022
Charged in equity	40	-	(1,721)	(54)	-	-	-	(1,775)
At 30 June		<u>(81,568)</u>	<u>(85,308)</u>	<u>(54)</u>	<u>(34,008)</u>	<u>108,938</u>	<u>16,328</u>	<u>(75,672)</u>
2014								
At 1 July		(90,873)	(71,937)	-	(51,267)	15,038	86,755	(112,284)
(Charged)/Credited to statements of income	37	(8,551)	26	-	8,629	7,650	(18,857)	(11,103)
Charged in equity	40	-	(11,532)	-	-	-	-	(11,532)
At 30 June		<u>(99,424)</u>	<u>(83,443)</u>	<u>-</u>	<u>(42,638)</u>	<u>22,688</u>	<u>67,898</u>	<u>(134,919)</u>

17 Deposits from customers

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fixed deposits	77,791,311	73,625,412	67,159,273	65,186,386
Negotiable instruments of deposits	12,879,060	11,598,134	11,412,543	9,685,899
Short-term placements	13,145,658	10,637,552	12,295,104	9,359,459
	<u>103,816,029</u>	<u>95,861,098</u>	<u>90,866,920</u>	<u>84,231,744</u>
Demand deposits	20,065,136	19,071,251	17,553,946	16,705,898
Savings deposits	15,823,857	15,020,628	13,348,698	12,850,935
Others	640,821	381,524	630,045	373,704
Gross deposits from customers	<u>140,345,843</u>	<u>130,334,501</u>	<u>122,399,609</u>	<u>114,162,281</u>
Fair value changes arising from designation at fair value through profit or loss *	<u>(69,695)</u>	<u>(82,164)</u>	<u>(62,565)</u>	<u>(63,446)</u>
Total net deposits from customers	<u>140,276,148</u>	<u>130,252,337</u>	<u>122,337,044</u>	<u>114,098,835</u>

* The Group and the Bank have issued structured deposits (Callable Range Accrual Notes) and designated them at fair value through profit or loss. This designation is permitted under MFRS 139 "Financial Instruments: Recognition and Measurement" as it significantly reduces accounting mismatch. These instruments are managed by the Group on the basis of its fair value and includes terms that have substantive derivative characteristic. The structured deposits designated at fair value amounted to RM1,542 million (2014: RM1,372 million) for the Group and RM1,214 million (2014: RM931 million) for the Bank respectively.



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

17 Deposits from customers (continued)

(i) The maturity structure of fixed deposits, negotiable instruments of deposits and short-term placements are as follows:

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Due within:				
- six months	78,605,267	74,198,390	68,018,244	64,254,150
- six months to one year	21,105,271	17,661,291	19,165,497	16,520,351
- one year to five years	3,375,491	3,501,417	2,953,179	3,007,243
- more than five years	730,000	500,000	730,000	450,000
	103,816,029	95,861,098	90,866,920	84,231,744

(ii) The deposits are sourced from the following customers:

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Government and statutory bodies	3,011,265	1,765,218	2,127,107	1,074,113
Business enterprises	65,026,828	59,564,201	55,067,415	49,561,625
Individuals	70,231,983	66,661,897	63,279,300	61,673,751
Others	2,075,767	2,343,185	1,925,787	1,852,792
	140,345,843	130,334,501	122,399,609	114,162,281

18 Deposits and placements of banks and other financial institutions

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Licensed banks	6,389,746	5,451,089	6,133,109	5,387,384
Licensed investment banks	123,241	-	-	-
Licensed Islamic banks	49,004	901,261	-	-
Other financial institutions	534,240	758,945	-	-
	7,096,231	7,111,295	6,133,109	5,387,384



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)
Hong Leong Bank Berhad

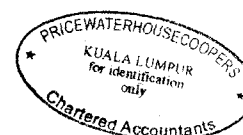
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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
19 Other assets

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Foreclosed properties	1,023	1,112	1,023	1,112
Sundry debtors and other prepayments	257,391	130,436	155,892	104,028
Treasury related receivables	429,244	3,260	429,244	3,260
Collateral pledged for derivative transactions	509,483	239,313	509,483	239,313
Other receivables	98,278	123,116	54,263	86,829
	1,295,419	497,237	1,149,905	434,542

20 Derivative financial instruments

	Note	The Group		The Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Derivatives at fair value through profit or loss:					
- interest rate swaps		222,498	298,560	214,549	284,852
- cross currency swaps		328,514	111,724	328,545	110,016
- foreign currency forwards		834,376	252,902	834,203	251,202
- foreign currency options		32,001	11,330	32,001	11,330
- futures		42	1,417	42	1,417
- future options		-	953	-	953
- equity options		6,952	1,149	6,952	1,149
- swaption		-	9,406	4,733	9,406
- commodity swap		306	-	306	-
Derivatives designated as cash flow hedge:					
- interest rate swaps	(a)	240	-	240	-
Total derivative financial instruments assets		1,424,929	687,441	1,421,571	670,325



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)
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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
20 Derivative financial instruments (continued)

	Note	The Group		The Bank	
		As At	As At	As At	As At
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
Derivatives at fair value through profit or loss:					
- interest rate swaps		(307,051)	(332,513)	(301,386)	(319,171)
- cross currency swaps		(454,313)	(123,611)	(454,296)	(122,352)
- foreign currency forwards		(459,621)	(265,833)	(447,471)	(259,831)
- foreign currency options		(26,255)	(12,336)	(26,255)	(12,336)
- equity options		(6,952)	(1,149)	(6,952)	(1,149)
- future options		-	(605)	-	(605)
- futures		(2,959)	(13,745)	(2,959)	(13,745)
- swaption		(30,268)	(40,623)	(30,268)	(31,217)
- commodity swap		(283)	-	(283)	-
Derivatives designated as cash flow hedge:					
- interest rate swaps	(a)	(24)	-	(24)	-
Total derivative financial instruments liabilities		(1,287,726)	(790,415)	(1,269,894)	(760,406)

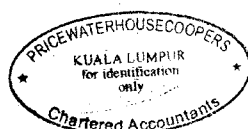
(a) Cash flow hedge

The Group and the Bank's cash flow hedges principally consist of interest rate swaps that are used to protect against exposures to variability in future interest cash flows on interest incurring liabilities. The amount and timing of the interest cash flows, are projected on the basis of their contractual terms and other relevant factors, including estimates of renewal of interest incurring liabilities. The aggregate projected interest cash flows over time form the basis for identifying gains and losses on the effective portions of derivatives designated as cash flow hedges to forecast transactions. Gains and losses are initially recognised directly in equity, in the cash flow hedge reserve, and are transferred to profit or loss when the forecast cash flows affect the profit or loss.

The hedging relationship was fully effective for the total hedging period and as of the reporting date. As such, the unrealised gain of RM162,000 from the hedging relationship as disclosed in Note 27 were recognised through other comprehensive income.

All underlying hedged cash flows are expected to be recognised in profit or loss in the period in which they occur. This is anticipated to take place over the next 4 to 5 years from the financial year ended 30 June 2015, as detailed below:

	The Group and The Bank				
	Up to 1 month	> 1 - 3 months	> 3 - 6 months	> 6 - 12 months	> 1 - 5 years
	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
As at 30 June 2015					
Cash inflows (assets)	1,391	469	1,900	3,643	28,855
Cash outflows (liabilities)	(1,391)	(469)	(1,850)	(3,518)	(28,431)
Net cash inflows	-	-	50	125	424



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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
21 Other liabilities

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Zakat	350	200	-	-
Post employment benefits obligation - defined contribution plan	288	2,937	288	2,937
Loan advance payment	2,268,769	1,882,838	1,845,747	1,525,872
Amount due to Cagamas Berhad	-	84,160	-	84,160
Amount due to subsidiary companies	-	-	29,016	28,494
Treasury and cheque clearing	533,584	1,219,056	413,043	523,173
Treasury related payables	174,206	56,425	173,063	56,425
Sundry creditors and accruals	534,896	540,999	436,044	475,869
Provision for bonus and staff related expenses	93,525	125,016	89,442	120,544
Others	295,501	339,406	277,363	466,708
	3,901,119	4,251,037	3,264,006	3,284,182

22 Senior bonds

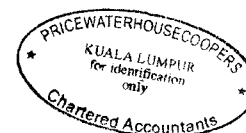
	Note	The Group and The Bank	
		2015 RM'000	2014 RM'000
USD 300 million senior bonds, at par	(a)	916,350	916,350
USD 300 million senior bonds, at par	(b)	919,200	919,200
Foreign exchange translations		435,750	90,750
		2,271,300	1,926,300
Add: Interest payable		19,401	16,454
		2,290,701	1,942,754
Less: Unamortised discounts		(4,321)	(6,547)
		2,286,380	1,936,207

(a) On 17 March 2011, the Bank issued USD300.0 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 *pari passu* among themselves and at least *pari 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 USD300.0 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%.

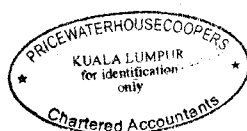


AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)
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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
23 Tier 2 subordinated bonds

	Note	The Group		The Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
RM700 million Tier 2 subordinated debt, at par	(a)	700,000	700,000	700,000	700,000
Add: Interest payable		13,115	13,115	13,115	13,115
		<u>713,115</u>	<u>713,115</u>	<u>713,115</u>	<u>713,115</u>
Less: Unamortised discounts		(2)	(207)	(2)	(207)
		<u>713,113</u>	<u>712,908</u>	<u>713,113</u>	<u>712,908</u>
RM1.0 billion Tier 2 subordinated debt, at par	(b)	1,000,000	1,000,000	1,000,000	1,000,000
Add: Interest payable		6,793	6,793	6,793	6,793
		<u>1,006,793</u>	<u>1,006,793</u>	<u>1,006,793</u>	<u>1,006,793</u>
Less: Unamortised discounts		(124)	(570)	(124)	(570)
		<u>1,006,669</u>	<u>1,006,223</u>	<u>1,006,669</u>	<u>1,006,223</u>
Subordinated medium term notes, at par	(c)	500,000	750,000	500,000	750,000
Add: Interest payable		65	1,207	65	1,207
		<u>500,065</u>	<u>751,207</u>	<u>500,065</u>	<u>751,207</u>
Less: Unamortised discounts		(350)	(1,138)	(350)	(1,138)
Fair value adjustments on completion of business combination accounting		(147)	210	(147)	210
		<u>499,568</u>	<u>750,279</u>	<u>499,568</u>	<u>750,279</u>
RM1.5 billion Tier 2 subordinated debt, at par	(d)	1,500,000	1,500,000	1,500,000	1,500,000
Add: Interest payable		1,664	1,479	1,664	1,479
		<u>1,501,664</u>	<u>1,501,479</u>	<u>1,501,664</u>	<u>1,501,479</u>
Less: Unamortised discounts		(1,027)	(1,590)	(1,027)	(1,590)
		<u>1,500,637</u>	<u>1,499,889</u>	<u>1,500,637</u>	<u>1,499,889</u>
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(e)	400,000	400,000	-	-
Add: Profit payable		736	736	-	-
		<u>400,736</u>	<u>400,736</u>	-	-
Less: Unamortised discounts		(431)	(658)	-	-
		<u>400,305</u>	<u>400,078</u>	-	-
RM500 million Tier 2 subordinated notes, at par	(f)	500,000	500,000	500,000	500,000
Add: Interest payable		526	526	526	526
		<u>500,526</u>	<u>500,526</u>	<u>500,526</u>	<u>500,526</u>
Less: Unamortised discounts		(1,006)	(1,550)	(1,006)	(1,550)
		<u>499,520</u>	<u>498,976</u>	<u>499,520</u>	<u>498,976</u>
		<u>4,619,812</u>	<u>4,868,353</u>	<u>4,219,507</u>	<u>4,468,275</u>



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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
23 Tier 2 subordinated bonds (continued)

- (a) On 10 August 2010, HLB had completed the first issuance of RM700.0 million nominal value of Tier 2 Subordinated Debt ("Sub Debt") out of its RM1.7 billion Tier 2 Subordinated Notes Programme. The RM700.0 million Sub Debt will mature in 2020 and is callable at the end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The Sub Debt which bears interest of 4.85% per annum is payable semi-annually in arrears.

The Sub Debt constitute unsecured liabilities of the Bank, and is subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

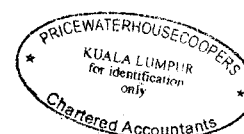
- (b) On 5 May 2011, HLB issued the remaining RM1.0 billion nominal value of Sub Debt which will mature in 2021 and is callable at the end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The second issuance of Sub Debt bears interest at the rate of 4.35% per annum and is payable semi-annually in arrears.

The Sub Debt constitute unsecured liabilities of the Bank, and is subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

- (c) On 27 February 2009, Promino Sdn Bhd ("Promino"), 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.



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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
23 Tier 2 subordinated bonds (continued)

- (c) 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 the Bank.

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.

On 2 December 2014, HLB had fully redeemed the second tranche of RM250.0 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.

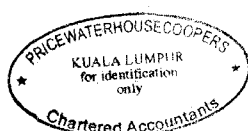
The Sub Notes constitute unsecured liabilities of the Bank, and is subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

- (e) On 17 June 2014, Hong Leong Islamic Bank Berhad ("HLISB"), a wholly owned subsidiary of the Bank, had completed the first issuance of RM400.0 million nominal value of Tier 2 Subordinated Sukuk Ijarah ("Subordinated Sukuk Ijarah") out of its RM1.0 billion Tier 2 Subordinated Sukuk Ijarah Programme. The RM400.0 million Subordinated Sukuk Ijarah will mature in 2024 and is callable at end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The Subordinated Sukuk Ijarah which bears profit rate of 4.80% per annum is payable semi-annually in arrears.

The Subordinated Sukuk Ijarah constitute direct, unconditional, subordinated and unsecured obligations of HLISB and subordinated in right and priority of payment, to the extent and in the manner provided in the Subordinated Sukuk Ijarah, ranking *pari passu* among themselves. The Subordinated Sukuk Ijarah is subordinated in right of payment to all deposit liabilities and other liabilities of HLISB, except to those liabilities, which by their terms, rank equally in right of payment with or are subordinated to the Subordinated Sukuk Ijarah. The Subordinated Sukuk Ijarah qualifies as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLISB.

- (f) On 23 June 2014, HLB had completed the first issuance of RM500.0 million nominal value of Tier 2 Sub Notes out of its RM10.0 billion Multi-Currency Sub Notes Programme. The RM500.0 million Sub Notes will mature in 2024 and is callable on any coupon payment date falling on or after the 5th anniversary of the issue date. The Sub Notes which bears interest rate of 4.80% per annum is payable semi-annually in arrears. The exercise of the call option on the Sub Notes shall be subject to the approval of BNM.

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, except to those liabilities, which by their terms, rank equally in right of payment with or are subordinated to the Sub Notes. The Sub Notes qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.



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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
24 Non-innovative Tier 1 stapled securities

	The Group and The Bank	
	2015 RM'000	2014 RM'000
RM1.4 billion Non-Innovative Tier 1 stapled securities, at par	1,400,000	1,400,000
Add: Interest payable	11,040	11,041
	1,411,040	1,411,041
Less: Unamortised discounts	(171)	(789)
	1,410,869	1,410,252

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.

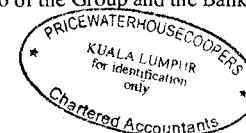
25 Innovative Tier 1 capital securities

	The Group and The Bank	
	2015 RM'000	2014 RM'000
RM500 million Innovative Tier 1 capital securities, at par	500,000	500,000
Add: Interest payable	12,771	12,771
	512,771	512,771
Less: Unamortised discounts	(7,367)	(8,746)
Fair value adjustments on completion of business combination accounting	24,819	37,742
	530,223	541,767

On 10 September 2009, Promino issued the first tranche of Innovative Tier 1 Capital Securities ("IT-1 Capital Securities") amounting to RM500.0 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 RM500.0 million IT-1 Capital Securities has a tenor of 30 years and Promino has the option to redeem the RM500.0 million IT-1 Capital Securities at the 10th anniversary, subject to BNM approval. The RM500.0 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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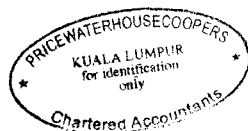
**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
26 Share capital

	The Group and The Bank	
	2015 RM'000	2014 RM'000
Authorised: 3,000,000,000 shares of RM1.00 each	<u>3,000,000</u>	<u>3,000,000</u>
Issued and fully paid: Ordinary shares of RM1.00 each	<u>1,879,909</u>	<u>1,879,909</u>

27 Reserves

	Note	The Group		The Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Retained profits	(a)	7,819,514	7,189,104	5,653,204	5,375,070
Share premium		2,872,183	2,832,383	2,872,183	2,832,383
Statutory reserve	(b)	3,575,114	3,081,128	3,084,249	2,640,258
Share options reserve	(c)	-	2,618	-	2,618
Fair value reserve	(d)	207,975	186,444	214,109	208,942
Exchange fluctuation reserve	(e)	683,966	(6,095)	38,798	36,897
Regulatory reserves	(f)	399,357	10,266	334,138	-
Cash flow hedge reserve	(g)	162	-	162	-
		<u>7,738,757</u>	<u>6,106,744</u>	<u>6,543,639</u>	<u>5,721,098</u>
		<u>15,558,271</u>	<u>13,295,848</u>	<u>12,196,843</u>	<u>11,096,168</u>

- (a) The Bank can distribute dividends out of its entire retained earnings under the single-tier system.
- (b) The statutory reserve is maintained by the Bank in compliance with Section 47(2)(f) of the Financial Services Act, 2013 and the Islamic banking subsidiary in compliance with Section 57(2)(f) of the Islamic Financial Services Act, 2013 and is not distributable as cash dividends.
- (c) The share options reserve arose from share options granted to eligible executives of the Bank pursuant to the Bank's Executive Share Scheme. Terms of the Bank's Executive Share Scheme are disclosed in Note 52 to the financial statements.



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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
27 Reserves (continued)

(d) Movement of the fair value reserve is as follows:

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 July	186,444	163,126	208,942	170,683
Net gain from change in fair value	91,784	92,572	81,490	90,961
Reclassification adjustment to net profit on disposal and impairment	(83,509)	(55,814)	(76,269)	(41,170)
Deferred taxation	(54)	(11,387)	(54)	(11,532)
Share of fair value reserve of associated company	13,310	(2,053)	-	-
Net change in fair value reserve	21,531	23,318	5,167	38,259
At 30 June	207,975	186,444	214,109	208,942

- (e) Currency translation differences arising from translation of the Bank's foreign branches, subsidiaries, associated companies and joint venture are shown under exchange fluctuation reserve.
- (f) The Bank and its wholly owned subsidiary, Hong Leong Islamic Bank Berhad are required to maintain in aggregate collective impairment allowances of no less than 1.2% of the total outstanding loans, advances and financing, net of individual impairment allowances, in accordance with BNM circular dated 6 April 2015 titled 'Classification and Impairment Provisions for Loans/Financing – Maintenance of Regulatory Reserves'. This requirement is effective 6 April 2015 beginning 31 December 2015 but has been early adopted by the Bank during the financial year ended 30 June 2015.

During the financial year, an additional amount of RM388.11 million (2014: RM Nil) at Group and RM334.14 million (2014: RM Nil) at Bank has been transferred from retained profits to regulatory reserves.

Included in the Group is the regulatory reserve maintained by the Group's banking subsidiary company in Vietnam of RM11.25 million (2014: RM10.27 million) in line with the requirements of the State Bank of Vietnam.

- (g) Cash flow hedge reserve arises from cash flow hedge activities undertaken by the Bank to hedge the changes in the cash flow of customer deposits arising from the movement of market interest rates. The reserve is non-distributable and is reversed to the statements of income upon maturity or termination of the cash flow hedge.

28 Treasury shares

Note	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Purchase of own shares pursuant to Section 67A, Companies Act 1965	(a) 431,829	431,829	431,829	431,829
Treasury shares for ESOS scheme	(b) 216,759	213,750	216,759	213,750
	648,588	645,579	648,588	645,579

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
28 Treasury shares (continued)**(a) Purchase of own shares pursuant to Section 67A of the Companies Act, 1965**

The shareholders of the Bank, via an ordinary resolution passed at the Annual General Meeting held on 25 October 2011, had approved the Bank's plan to purchase its own shares up to 10% of existing total issued and paid-up share capital. The Directors of the Bank are committed to enhance the value of the Bank to its shareholders and believe that the share buyback plan can be applied in the best interests of the Bank and its shareholders.

During the financial year, there were no purchase of ordinary shares of RM1.00 each from the open market. As at 30 June 2015, the total number of shares bought was 81,101,700 (2014: 81,101,700) and the shares held were accounted as treasury shares in accordance with the provisions of Section 67A of the Companies Act, 1965.

There was no resale or cancellation of treasury shares during the financial year. The adjusted number of issued and fully paid-up shares with voting rights as at 30 June 2015 after deducting treasury shares purchased is 1,798,807,400 shares (2014: 1,798,807,400). Treasury shares have no rights to vote, dividends and participation in other distribution.

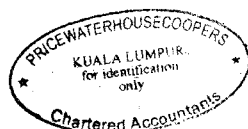
(b) Treasury shares for ESOS scheme

In 2006, the Bank entered into a Trust for ESOS purposes established via the signing of a Trust Deed on 23 January 2006 with an appointed Trustee in conjunction with the establishment of an Executive Share Option Scheme ("ESOS"). 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.

MFRS 132 "Financial Instruments: Presentation" requires that if an entity reacquires its own equity instruments, those instruments shall be deducted from equity and are not recognised as a financial asset regardless of the reason for which they are reacquired.

In accordance with MFRS 132, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares for ESOS" in the equity on the statements of financial position.

During the financial year, the appointed Trustee sold 4,543,686 shares and bought back 2,609,400 shares in the open market. As at 30 June 2015, the total number of shares held was 33,372,900 (2014: 36,210,678).



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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
29 Interest income

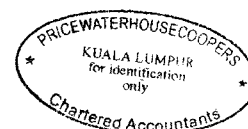
	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Loans, advances and financing	4,410,482	4,125,470	4,372,625	4,099,812
Money at call and deposit placements with financial institutions	257,445	430,603	263,384	450,070
Securities purchased under resale agreements	218,068	18,404	218,068	18,404
Financial assets held-for-trading	536,960	499,315	547,630	518,097
Financial investments available-for-sale	418,380	393,231	395,205	357,627
Financial investments held-to-maturity	262,819	182,496	272,830	210,239
Others	315	203	297	12,926
	6,104,469	5,649,722	6,070,039	5,667,175
Of which:				
Accretion of discount less amortisation of premium	221,217	203,482	221,217	203,482
Interest income earned on impaired loans, advances and financing	58,180	65,356	58,180	65,356

30 Interest expense

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deposits and placements of banks and other financial institutions	66,491	63,567	71,420	69,728
Deposits from other customers	2,683,217	2,366,826	2,696,652	2,411,760
Short-term placements	232,673	190,579	232,673	190,579
Senior bonds	74,259	70,240	74,259	70,240
Tier 2 subordinated bonds	202,140	188,785	202,133	203,394
Non-innovative Tier 1 stapled securities	71,317	71,439	71,317	71,766
Innovative Tier 1 capital securities	30,516	26,862	30,516	26,862
Others	2,660	9,200	2,660	9,200
	3,363,273	2,987,498	3,381,630	3,053,529

31 Income from Islamic Banking business

	The Group	
	2015 RM'000	2014 RM'000
Income derived from investment of depositors' funds and others	903,576	835,835
Income derived from investment of shareholders' funds	92,445	91,395
Income attributable to depositors	(576,263)	(492,851)
	419,758	434,379
Of which:		
Financing income earned on impaired financing and advances	7,596	10,301

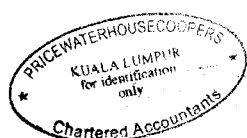


AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)
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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
32 Non-interest income

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fee income				
Commissions	157,092	141,375	156,091	140,831
Service charges and fees	48,501	51,012	48,162	50,829
Guarantee fees	19,871	22,818	19,736	22,736
Credit card related fees	234,464	240,267	234,464	240,267
Corporate advisory fees	2,372	654	2,372	654
Commitment fees	35,174	36,562	35,056	36,537
Fee on loans, advances and financing	52,654	66,313	51,192	65,711
Other fee income	50,616	35,844	50,450	35,709
	600,744	594,845	597,523	593,274
Net income from securities				
Net realised gain from sale/redemption of securities portfolio:				
- Financial assets held-for-trading	29,847	15,185	29,847	15,185
- Derivatives financial instruments	81	38,052	81	38,052
- Financial investments available-for-sale	111,345	74,419	101,692	54,893
- Financial investments held-to-maturity	350	790	350	790
Dividend income from:				
- Subsidiary companies	-	-	110,093	56,700
- Associated company	-	-	91,669	76,859
- Financial investments available-for-sale	119,491	66,632	119,491	66,632
Net unrealised (loss)/gain on revaluation of:				
- Financial assets held-for-trading	(463)	1,888	(463)	1,888
- Derivatives financial instruments	(38,352)	177	(38,352)	177
Amortisation of fair value changes arising from terminated fair value hedges	(3,279)	(8,334)	(2,886)	(6,379)
	219,020	188,809	411,522	304,797
Other income				
Foreign exchange gain	12,717	132,150	13,474	132,225
Rental income	5,511	5,357	5,511	5,357
Gain on disposal of property and equipment	50,695	6,113	50,695	6,113
Other non-operating income	17,307	15,182	17,171	28,538
	86,230	158,802	86,851	172,233
	905,994	942,456	1,095,896	1,070,304



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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

33 Overhead expenses

	The Group		The Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Personnel costs	1,011,548	948,348	848,100	801,745
Establishment costs	417,394	487,648	362,423	426,112
Marketing expenses	161,440	151,354	155,422	146,782
Administration and general expenses	223,477	204,863	216,336	198,998
	<u>1,813,859</u>	<u>1,792,213</u>	<u>1,582,281</u>	<u>1,573,637</u>

The overhead expenses of the Bank are net of shared services costs charged to subsidiaries.

(i) Personnel costs comprise the following:

	The Group		The Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Salaries, bonus and allowances	939,976	859,063	787,268	724,344
Medical expenses	26,804	23,804	22,579	20,069
Training and convention expenses	11,763	29,925	10,959	26,920
Staff welfare	8,745	13,213	7,419	11,693
Other employees benefits	24,260	22,343	19,875	18,719
	<u>1,011,548</u>	<u>948,348</u>	<u>848,100</u>	<u>801,745</u>

(ii) Establishment costs comprise the following:

	The Group		The Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Depreciation of property and equipment	70,819	110,193	66,691	105,116
Amortisation of intangible assets	69,487	97,502	66,693	92,969
Rental of premises	78,772	73,369	64,883	60,807
Information technology expenses	111,449	109,059	101,046	100,095
Security services	26,177	31,344	21,077	25,214
Electricity, water and sewerage	23,870	24,743	20,659	21,607
Hire of plant and machinery	13,841	13,664	12,762	12,556
Others	22,979	27,774	8,612	7,748
	<u>417,394</u>	<u>487,648</u>	<u>362,423</u>	<u>426,112</u>

(iii) Marketing expenses comprise the following:

	The Group		The Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Advertisement and publicity	33,229	36,885	29,405	34,151
Credit card related fees	112,590	97,263	112,590	97,263
Others	15,621	17,206	13,427	15,368
	<u>161,440</u>	<u>151,354</u>	<u>155,422</u>	<u>146,782</u>

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**Notes to the financial statements
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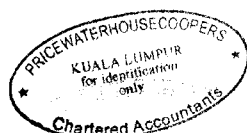
33 Overhead expenses (continued)

(iv) Administration and general expenses comprise the following:

	The Group		The Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Teletransmission expenses	14,499	13,555	14,190	13,227
Stationery and printing expenses	18,271	18,259	17,653	17,741
Professional fees	70,342	79,656	68,289	77,506
Insurance fees	35,567	29,988	31,537	25,648
Stamp, postage and courier	20,585	22,171	20,371	21,876
Travelling and transport expenses	6,131	6,430	4,863	5,120
Registration and license fees	6,564	4,910	5,923	4,460
Brokerage and commission	6,710	5,993	5,250	5,153
Credit card fees	31,822	25,908	31,822	25,908
Others	12,986	(2,007)	16,438	2,359
	223,477	204,863	216,336	198,998

The above expenditure includes the following statutory disclosures:

	The Group		The Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (Note 36)	5,662	4,637	5,426	4,435
Hire of equipment	13,942	13,682	13,164	12,954
Auditors' remuneration:				
Malaysian firm				
- statutory audit	1,694	1,680	1,448	1,439
- regulatory related fees	831	642	596	494
- tax compliance	59	86	36	65
- other tax services	324	311	324	311
- other services	488	170	488	135
PwC overseas affiliated firms				
- statutory audit	664	375	613	270
- regulatory related fees	75	108	75	108
- tax compliance	75	72	75	72
- other fees	1,126	-	1,103	-
Other overseas firm				
- statutory audit	67	-	-	-
Loss on disposal of property and equipment	1,001	2,101	1,000	2,018
Property and equipment written off	63	1,282	18	1,249
Intangible assets written off	2,875	8,565	2,865	8,561



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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

34 (Write back of)/allowance for impairment losses on loans, advances and financing

	The Group		The Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
(Write back of)/allowance for impairment losses on loans, advances and financing:				
- collective assessment allowance	213,457	254,706	189,171	274,988
- individual assessment allowance	(49,819)	31,215	(41,738)	29,588
Impaired loans and financing:				
- written off	45,617	20,025	35,290	17,725
- recovered from bad debt written off	(261,184)	(253,881)	(236,428)	(229,898)
	<u>(51,929)</u>	<u>52,065</u>	<u>(53,705)</u>	<u>92,403</u>

35 Significant related party transactions and balances

(a) Related parties and relationships

The related parties of and their relationships with the Bank are as follows:

<u>Related parties</u>	<u>Relationship</u>
Hong Leong Company (Malaysia) Berhad	Ultimate holding company
Hong Leong Share Registration Services Sdn Bhd, HLCM Capital Sdn Bhd, Hong Leong Fund Management Sdn Bhd and HL Management Co Sdn Bhd	Subsidiary companies of ultimate holding company
Hong Leong Financial Group Berhad	Holding company
Subsidiary companies of Hong Leong Financial Group Berhad as disclosed in its financial statements	Subsidiary companies of holding company
Hong Leong Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
HLMG Management Co Sdn Bhd (formerly known as HLI-Hume Management Co Sdn Bhd) ("HLMG")	Subsidiary companies of ultimate holding company
Hume Cement Sdn Bhd	
Hume Construction Sdn Bhd	
Hume Plastics (Malaysia) Sdn Berhad	
Hume Quarry (Sarawak) Sdn Bhd	
Hongvilla Development Sdn Bhd	
HIMB Overseas Limited	
HIMB Trading Limited and Delta Touch Limited	
Guoco Group Limited and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
GuocoLand (Malaysia) Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
Southern Steel Berhad and its subsidiary and associated companies	Subsidiary and associated companies of ultimate holding company
Subsidiary companies of the Bank as disclosed in Note 11	Subsidiary companies of the Bank
Associated companies of the Group as disclosed in Note 13	Associated companies of the Group
Joint venture of the Group as disclosed in Note 12	Joint venture of the Group

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

35 Significant related party transactions and balances (continued)

(a) Related parties and relationships (continued)

Key management personnel

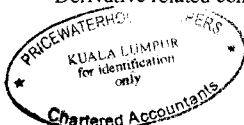
The key management personnel of the Bank consists of:
- All Directors of the Bank and ten members of senior management of the Bank

Related parties of key management personnel (deemed as related to the Bank)

- (i) Close family members and dependents of key management personnel
- (ii) Entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

(b) Related party transactions and balances

The Group 2015	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
Income			
Interest:			
- loans	-	16,245	62
- redeemable preference shares	-	2,000	-
Commission on Group products/services sold	-	26,566	-
Reimbursement of shared service cost	204	7,577	-
Gain on disposal of property and equipment	-	44,519	-
	<u>204</u>	<u>96,907</u>	<u>62</u>
Expenditure			
Rental and maintenance	-	16,775	-
Insurance	-	606	-
Interest on current account and fixed deposits	-	1,140	434
Interest paid on short-term placements	-	6,887	2,859
Management fees	6,960	27,958	-
Other miscellaneous expenses	294	3,079	-
	<u>7,254</u>	<u>56,445</u>	<u>3,293</u>
Amounts due from			
Interbank placements	-	228,870	-
Loans	-	255,968	1,378
Redeemable preference shares	-	54,000	-
Available-for-sale securities	50,323	-	-
Credit card balances	-	-	352
Derivative assets	487	3,367	-
Others	4	904	-
	<u>50,814</u>	<u>543,109</u>	<u>1,730</u>
Amounts due to			
Current account and fixed deposits	1	136,811	35,901
Short-term placements	-	772,930	130,502
Derivative liabilities	-	94	-
	<u>1</u>	<u>909,835</u>	<u>166,403</u>
Commitment and contingencies			
Derivative related contracts	111,356	271,609	-



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Hong Leong Bank Berhad

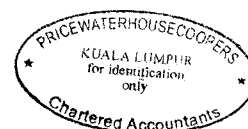
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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

35 Significant related party transactions and balances (continued)

(b) Related party transactions and balances (continued)

The Group 2014	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
Income			
Interest:			
- loans	-	12,005	21
- redeemable preference shares	-	2,000	-
Commission on Group products/services sold	-	19,401	-
Reimbursement of shared service cost	262	7,658	-
	<u>262</u>	<u>41,064</u>	<u>21</u>
Expenditure			
Rental and maintenance	-	17,254	-
Insurance	-	2,626	-
Interest on deposits	-	25	585
Interest paid on short-term placements	-	7,157	2,038
Management fees	6,005	27,847	-
Other miscellaneous expenses	392	2,579	-
	<u>6,397</u>	<u>57,488</u>	<u>2,623</u>
Amounts due from			
Interbank placements	-	127,441	-
Redeemable preference shares	-	52,000	-
Loans	-	296,057	717
Credit card balances	-	-	324
Derivative assets	-	3,213	-
Others	16	1,553	-
	<u>16</u>	<u>480,264</u>	<u>1,041</u>
Amounts due to			
Current account and fixed deposits	-	264,233	27,942
Short-term placements	-	627,078	66,407
Derivative liabilities	378	2,478	-
	<u>378</u>	<u>893,789</u>	<u>94,349</u>
Commitment and contingencies			
Derivative related contracts	110,289	581,354	-

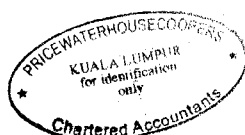


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**Notes to the financial statements
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35 Significant related party transactions and balances (continued)
(b) Related party transactions and balances (continued)

The Bank 2015	Parent company RM'000	Subsidiary companies RM'000	Other related companies RM'000	Key management personnel RM'000
Income				
Interest:				
- loans	-	-	16,245	62
- interbank placements	-	7,724	-	-
- negotiable instruments of deposits	-	36,435	-	-
- redeemable preference shares	-	-	2,000	-
Commission on Group products/services sold	-	-	26,566	-
Reimbursement of shared service cost	204	128,293	7,577	-
Gain on disposal of property and equipment	-	-	44,519	-
	<u>204</u>	<u>172,452</u>	<u>96,907</u>	<u>62</u>
Expenditure				
Rental and maintenance	-	956	16,775	-
Insurance	-	-	606	-
Interest on current account and fixed deposits	-	450	1,140	433
Interest paid on stapled securities	-	71,317	-	-
Interest paid on short-term placements	-	-	6,887	2,859
Management fees	6,960	-	27,958	-
Other miscellaneous expenses	294	-	3,079	-
	<u>7,254</u>	<u>72,723</u>	<u>56,445</u>	<u>3,292</u>
Amounts due from				
Interbank placements	-	1,174,408	228,870	-
Negotiable instruments of deposits	-	1,497,833	-	-
Redeemable preference shares	-	-	54,000	-
Loans	-	-	255,968	1,378
Available-for-sale securities	50,323	-	-	-
Credit card balances	-	-	-	352
Derivative assets	487	12,099	3,367	-
Others	4	14,755	904	-
	<u>50,814</u>	<u>2,699,095</u>	<u>543,109</u>	<u>1,730</u>
Amounts due to				
Current account and fixed deposits	1	77,420	136,811	35,652
Stapled securities	-	1,410,869	-	-
Short-term placements	-	-	772,930	130,502
Derivative liabilities	-	4,179	94	-
Others	-	29,016	-	-
	<u>1</u>	<u>1,521,484</u>	<u>909,835</u>	<u>166,154</u>
Commitment and contingencies				
Derivative related contracts	<u>111,356</u>	<u>2,315,094</u>	<u>271,609</u>	<u>-</u>



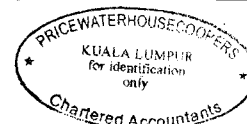
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**Notes to the financial statements
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35 Significant related party transactions and balances (continued)
(b) Related party transactions and balances (continued)

The Bank 2014	Parent company RM'000	Subsidiary companies RM'000	Other related companies RM'000	Key management personnel RM'000
Income				
Interest:				
- loans	-	-	12,005	14
- interbank placements	-	6,535	-	-
- negotiable instruments of deposits	-	52,932	-	-
- redeemable preference shares	-	12,698	2,000	-
- medium term note	-	14,935	-	-
Commission on Group products/services sold	-	-	19,401	-
Reimbursement of shared service cost	262	129,686	7,658	-
	<u>262</u>	<u>216,786</u>	<u>41,064</u>	<u>14</u>
Expenditure				
Rental and maintenance	-	961	17,254	-
Insurance	-	-	2,626	-
Interest on current account and fixed deposits	-	428	25	579
Interest paid on stapled securities	-	71,766	-	-
Interest paid on short-term placements	-	-	7,157	2,038
Interest paid on negotiable instruments of deposits	-	12,698	-	-
Management fees	6,005	-	27,847	-
Other miscellaneous expenses	392	-	2,579	-
	<u>6,397</u>	<u>85,853</u>	<u>57,488</u>	<u>2,617</u>
Amounts due from				
Interbank placements	-	94,530	127,441	-
Negotiable instruments of deposits	-	1,395,383	-	-
Redeemable preference shares	-	-	52,000	-
Loans	-	-	296,057	717
Credit card balances	-	-	-	324
Derivative assets	-	19,880	3,213	-
Others	16	11,437	1,553	-
	<u>16</u>	<u>1,521,230</u>	<u>480,264</u>	<u>1,041</u>
Amounts due to				
Current account and fixed deposits	-	91,909	264,227	27,053
Stapled securities	-	1,410,252	-	-
Short-term placements	-	-	627,078	66,407
Derivative liabilities	378	3,720	2,478	-
Others	-	175,182	-	-
	<u>378</u>	<u>1,681,063</u>	<u>893,783</u>	<u>93,460</u>
Commitment and contingencies				
Derivative related contracts	110,289	2,240,200	581,354	-

	The Group	
	2015	2014
	RM'000	RM'000
The approved limit on loans, advances and financing for key management personnel	<u>1,825</u>	<u>999</u>



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Bank Berhad

Company no: 97141-X
(Incorporated in Malaysia)

**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

35 Significant related party transactions and balances (continued)

(c) Key management personnel

Key management compensation

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Salaries and other short-term employee benefits	<u>18,909</u>	<u>19,857</u>	<u>18,673</u>	<u>19,655</u>
Share options balance of the Bank	<u>-</u>	<u>265,156</u>	<u>-</u>	<u>265,156</u>

Included in the above is the Directors' remuneration which is disclosed in Note 36 to the financial statements.

Loans made to key management personnel of the Group and the Bank will be on similar terms and conditions generally available to other employees within the Group. No impairment allowances were required in 2015 and 2014 for loans made to key management personnel.

(d) Credit transactions and exposures with connected parties

Credit exposures with connected parties as per BNM's revised "Guidelines on Credit Transactions and Exposures with Connected Parties" which became effective on 1 January 2008 are as follows:

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Outstanding credit exposures with connected parties	5,341,771	6,329,379	5,129,116	6,119,610
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	4.04%	5.18%	4.52%	5.79%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	<u>0.0004%</u>	<u>0.0004%</u>	<u>0.0004%</u>	<u>0.0004%</u>

