

**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)

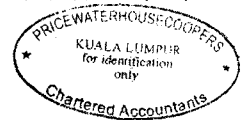
**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**

**36 Directors' remuneration**

Forms of remuneration in aggregate for all Directors for the financial year are as follows:

	The Group				The Bank			
	Salaries and bonuses and defined contribution retirement plan RM'000	Director fees RM'000	Estimated money value for benefits-in-kind RM'000	Total RM'000	Salaries and bonuses and defined contribution retirement plan RM'000	Director fees RM'000	Estimated money value for benefits-in-kind RM'000	Total RM'000
<b>2015</b>								
Executive Director								
Mr Tan Kong Khoon	4,630	-	35	4,665	4,630	-	35	4,665
<b>Non-executive Directors</b>								
YBhg Tan Sri Quek Leng Chan	-	-	-	-	-	-	-	-
Mr Kwek Leng Hai	-	-	-	-	-	-	-	-
Mr Choong Yee How	-	-	-	-	-	-	-	-
Mr Quek Kon Sean	-	-	-	-	-	-	-	-
Ms Lim Lean See	-	185	-	185	-	185	-	185
YBhg Tan Sri A. Razak bin Ramli	-	248	-	248	-	110	-	110
Ms Chok Kwee Bee	-	125	-	125	-	125	-	125
YBhg Dato' Nicholas John Lough @ Shanf Lough bin Abolillah	-	155	-	155	-	155	-	155
YBhg Datuk Wira Azhar bin Abdul Hamid	-	13	-	13	-	13	-	13
YBhg Dato' Mohamed Nazim bin Abdul Razak	-	218	-	218	-	120	-	120
Mr Lim Beng Choon	-	53	-	53	-	53	-	53
	-	997	-	997	-	761	-	761
<b>Total Directors' remuneration</b>	<b>4,630</b>	<b>997</b>	<b>35</b>	<b>5,662</b>	<b>4,630</b>	<b>761</b>	<b>35</b>	<b>5,426</b>

The movement and details of the Directors of the Company in office and interests in shares and share options are reported in the Directors' report.



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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)**

**36 Directors' remuneration (continued)**

Forms of remuneration in aggregate for all Directors for the financial year are as follows: (continued)

	The Group				The Bank			
	Salaries and bonuses and defined contribution retirement plan RM'000	Director fees RM'000	Estimated money value for benefits-in-kind RM'000	Total RM'000	Salaries and bonuses and defined contribution retirement plan RM'000	Director fees RM'000	Estimated money value for benefits-in-kind RM'000	Total RM'000
<b>2014</b>								
<b>Executive Director</b>								
Mr Tan Kong Khoon	3,780	-	34	3,814	3,780	-	34	3,814
<b>Non-executive Directors</b>								
YBhg Tan Sri Quek Leng Chan	-	-	-	-	-	-	-	-
Mr Kwek Leng Hai	-	-	-	-	-	-	-	-
YBhg Dato' Mohamed Nazim bin Abdul Razak	-	178	-	178	-	100	-	100
Mr Choong Yee How	-	-	-	-	-	-	-	-
Mr Quek Kon Sean	-	-	-	-	-	-	-	-
Ms Lim Lean See	-	165	-	165	-	165	-	165
YBhg Tan Sri A. Razak bin Ramli	-	214	-	214	-	90	-	90
Mr Lim Beng Choon	-	150	-	150	-	150	-	150
Ms Chok Kwee Bee	-	53	-	53	-	53	-	53
Mr Nicholas John Lough @ Sharif Lough bin Abdullah	-	2	-	2	-	2	-	2
YBhg Datuk Kwek Leng San	-	-	-	-	-	-	-	-
YBhg Dato' Syed Faisal Albar bin Syed A.R. Albar	-	61	-	61	-	61	-	61
		823		823		621		621
<b>Total Directors' remuneration</b>	<b>3,780</b>	<b>823</b>	<b>34</b>	<b>4,637</b>	<b>3,780</b>	<b>621</b>	<b>34</b>	<b>4,435</b>

The movement and details of the Directors of the Company in office and interests in shares and share options are reported in the Directors' report.

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

	Note	The Group		The Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Income tax					
- Current year		606,320	562,426	595,445	518,699
- Over accrual in prior years		(32,972)	(62,414)	(31,195)	(63,016)
Deferred taxation	16	(60,377)	10,939	(61,022)	11,103
Taxation		<u>512,971</u>	<u>510,951</u>	<u>503,228</u>	<u>466,786</u>

The effective tax rate for the Group and Bank differed from the statutory rate of taxation due to:

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before taxation	<u>2,746,158</u>	<u>2,613,221</u>	<u>2,279,191</u>	<u>2,057,725</u>
Tax calculated at a rate of 25% (2014: 25%)	686,540	653,305	569,798	514,431
Tax effects of:				
- Income not subject to tax	(59,258)	(25,585)	(77,497)	(20,295)
- Share of net income of foreign associated company and joint venture company	(104,420)	(94,656)	-	-
- Expenses not deductible for tax purposes	23,081	40,301	42,122	35,666
Over accrual in prior years	(32,972)	(62,414)	(31,195)	(63,016)
Taxation	<u>512,971</u>	<u>510,951</u>	<u>503,228</u>	<u>466,786</u>

Unused tax losses for which no deferred tax is recognised in the  
financial statements

**The Group**  
2015      2014  
RM'000      RM'000

29,259      29,257



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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)**
**38 Earnings per share**
**Basic earnings per share**

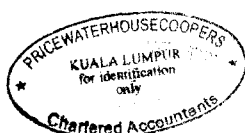
Basic earnings per share from operations is calculated by dividing the net profit attributable to ordinary equity holders of the Bank after taxation by the weighted average number of ordinary shares in issue during the financial year, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares.

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net profit attributable to equity holders	2,233,187	2,102,270	1,775,963	1,590,939
Weighted average number of ordinary shares in issue ('000)	1,766,724	1,761,195	1,766,724	1,761,195
Basic earnings per share (sen)	<u>126.4</u>	<u>119.4</u>	<u>100.5</u>	<u>90.3</u>

**Diluted earnings per share**

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

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net profit attributable to equity holders	2,233,187	2,102,270	1,775,963	1,590,939
Weighted average number of ordinary shares in issue ('000)	1,766,724	1,761,195	1,766,724	1,761,195
- adjustment for ESOS	-	352	-	352
	<u>1,766,724</u>	<u>1,761,547</u>	<u>1,766,724</u>	<u>1,761,547</u>
Diluted earnings per share (sen)	<u>126.4</u>	<u>119.3</u>	<u>100.5</u>	<u>90.3</u>



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

	The Group and The Bank			
	2015		2014	
	Gross dividends per share sen	Amount of dividends net of tax RM'000	Gross dividends per share sen	Amount of dividends net of tax RM'000
Final dividend paid				
- for financial year ended 30 June 2014	26.0	459,573	-	-
- for financial year ended 30 June 2013	-	-	30.0	396,172
Interim single tier dividend paid				
- for financial year ended 30 June 2015	15.0	265,197	-	-
Interim dividend paid				
- for financial year ended 30 June 2014	-	-	15.0	264,190
	<b>41.0</b>	<b>724,770</b>	<b>45.0</b>	<b>660,362</b>

A final single tier dividend in respect of the financial year ended 30 June 2015 of 26.0 sen per share (2014: 26.0 sen single tier per share) will be proposed for shareholders' approval at the forthcoming Annual General Meeting. Based on the Bank's adjusted issued and paid-up share capital (excluding 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 as at 30 June 2015, the dividend amount would approximately be RM459,012,970. The proposed dividend will be reflected in the financial statements of the financial year ending 30 June 2016 when approved by shareholders.

**40 Income tax relating to components of other comprehensive income/(loss)**

	2015			2014		
	Before tax RM'000	Tax benefits RM'000	Net of tax amount RM'000	Before tax RM'000	Tax benefits RM'000	Net of tax amount RM'000
<b>The Group</b>						
Financial investments available-for-sale						
- net fair value gain/(loss)	11,873	(3,652)	8,221	36,758	(11,387)	25,371
Cash flow hedge						
- net fair value gain/(loss)	216	(54)	162	-	-	-
<b>The Bank</b>						
Financial investments available-for-sale						
- net fair value gain/(loss)	6,888	(1,721)	5,167	49,791	(11,532)	38,259
Cash flow hedge						
- net fair value gain/(loss)	216	(54)	162	-	-	-

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**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)**
**41 Commitments and contingencies**

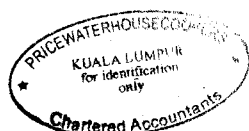
In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. These commitments and contingencies are also not secured over the assets of the Group.

The notional amounts of the commitments and contingencies constitute the following:

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Direct credit substitutes *	212,983	356,167	211,578	355,108
Certain transaction related contingent items	1,606,465	1,706,130	1,508,972	1,609,051
Short-term self liquidating trade related contingencies	755,587	765,904	741,482	737,856
Forward asset purchases	-	37,432	-	37,432
Irrevocable commitments to extend credit:				
- maturity more than one year	18,158,775	17,251,829	14,680,331	14,568,131
- maturity less than one year	17,262,934	15,821,707	15,610,783	14,681,470
Foreign exchange related contracts: ^				
- less than one year	31,118,946	41,760,495	30,203,845	40,980,702
- one year to less than five years	4,409,157	4,369,268	4,409,157	4,369,456
- five years and above	819,693	598,871	819,693	598,871
Interest rate related contracts: ^				
- less than one year	21,887,447	45,035,485	21,857,447	44,935,485
- one year to less than five years	42,671,138	49,018,223	42,386,138	47,758,223
- five years and above	2,129,631	8,501,058	2,129,631	8,451,058
Equity related contracts: ^				
- less than one year	360,330	207,936	360,330	207,936
- one year to less than five years	102,937	94,310	102,937	94,310
Commodity related contracts: ^				
- less than one year	1,471	-	1,471	-
- one year to less than five years	3,826	-	3,826	-
Unutilised credit card lines	7,426,036	7,610,596	7,426,036	7,610,596
	<b>148,927,356</b>	<b>193,135,411</b>	<b>142,453,657</b>	<b>186,995,685</b>

^ These derivatives are revalued at gross position basis and the fair value have been reflected in Note 20 to the financial statements as derivatives assets or derivatives liabilities.

\* Included in direct credit substitutes above are the financial guarantee contracts of RM207,714,163 and RM206,937,299 at Group and Bank, respectively (2014: RM349,592,110 and RM349,035,246 at Group and Bank, respectively), of which fair value at the time of issuance is zero.



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

**42 Capital commitments**

Capital expenditure approved by Directors but not provided for in the financial statements are as follows:

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Authorised and contracted for	40,755	22,470	39,771	18,002
Authorised but not contracted for	318,265	113,709	313,098	106,093
	<u>359,020</u>	<u>136,179</u>	<u>352,869</u>	<u>124,095</u>

The capital commitments are in respect of:

- property and equipment
- intangible assets
- purchase of DC Tower Sdn Bhd that has been authorised but not contracted for

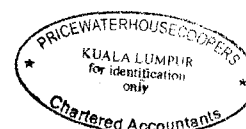
**43 Lease commitments**

The Group and the Bank have lease commitments in respect of rented premises, all of which are classified as operating leases. A summary of the future minimum lease payments, under non-cancellable operating lease commitment are as follows:

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Not later than one year	8,654	7,898	4,423	4,163
Later than one year and not later than five years	20,604	7,848	15,948	6,206
More than five years	4,148	2,640	4,143	2,640
	<u>33,406</u>	<u>18,386</u>	<u>24,514</u>	<u>13,009</u>

**44 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.



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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)**
**45 Financial instruments**
**(a) Financial risk management objectives and policies**

Overview and organisation

**Integrated Risk Management ("IRM")**

The Group has implemented an integrated risk management framework with the objective to ensure the overall financial soundness and stability of the Group's business operations. The Group's integrated risk management framework outlines the overall governance structure, aspiration, values and risk management strategies that balances between risk profiles and returns objectives. Appropriate methodologies and measurements have been developed to manage uncertainties such that deviations from intended strategic objectives are closely monitored and kept within tolerable levels.

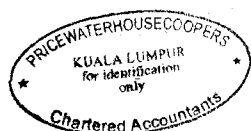
From a governance perspective, the Board has the overall responsibility to define the Group's risk appetite and ensure that a robust risk management and compliance culture prevails. The Board is assisted by the Board Risk Management Committee ("BRMC") in approving the Group's integrated risk management framework as well as the attendant capital management framework, risk appetite statement, risk management strategies and risk policies.

Dedicated management level committees are established by the Group to oversee the development and the assessment of effectiveness of risk management policies, to review risk exposures and portfolio composition as well as to ensure appropriate infrastructures, resources and systems are put in place for effective risk management activities.

The BRMC is assisted by the Group Integrated Risk Management and Compliance ("GIRMC") function, which has been established to provide independent oversight on the adequacy, effectiveness and integrity of risk management practices at all levels within the Bank. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine the optimum capital allocations. The Bank regularly reviews its risk management framework to reflect changes in markets, products, regulatory and emerging best market practice.

**Credit Risk Management**

Credit risk is the risk of financial loss due to a borrower or counterparty being unable or unwilling to deliver on its payment obligations to the Bank, which leads to a loss of revenue and the principal sum. It arises principally from lending, trade finance and treasury activities. The Bank has established a credit risk management framework to ensure that exposure to credit risk is kept within the Bank's financial capacity to withstand potential future losses. Lending activities are guided by the internal credit policies and guidelines that are reviewed and concurred by the Management Credit Committee ("MCC"), endorsed by the BRMC and the Board Credit Supervisory Committee ("BCSC"), and approved by the Board. These policies are subject to review and enhancements, at least on an annual basis.





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**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**
**45 Financial instruments (continued)****(a) Financial risk management objectives and policies (continued)****Credit Risk Management (continued)**

Credit portfolio strategies and significant exposures are reviewed by both the BRMC and the Board. These portfolio strategies are designed to achieve a desired portfolio risk tolerance level and sector distribution.

The Group's credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. While the business units are responsible for credit origination, the credit approving function rests mainly with the Credit Evaluation Departments, the MCC and the BCSC. The Board delegates approving and discretionary authority to the MCC and the various personnel of the Bank based on job function and designation.

For any new products, credit risk assessment also forms part of the new product sign-off processes to ensure that the new product complies with the appropriate policies and guidelines, prior to the introduction of the product.

The Bank's exposure to credit risk is mainly from its retail, small and medium enterprise ("SME"), commercial and corporate customers. The credit assessment for retail customers is managed on a portfolio basis and the risk scoring models and lending templates are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts. The SME, commercial and corporate customers are individually assessed and assigned with a credit rating, which is based on the assessment of relevant factors such as the customer's financial position, industry outlook, types of facilities and collaterals offered.

In addition, the Bank also conducts periodic stress testing of its credit portfolios to ascertain credit risk impact to capital under the relevant stress scenarios.

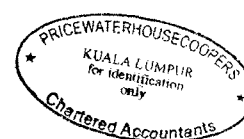
Internal Audit conducts independent post approval reviews on sampling basis to ensure that quality of credit appraisals and approval standards are in accordance with the credit standards and the lending policies and directives established and approved by the Bank's management.

**Market Risk Management**

Market risk is the risk of financial loss arising from exposure to adverse changes in values of financial instruments caused by changes in market prices or rates, which include changes to interest rates.

The Bank adopts a systematic approach in managing such risks by types of instruments and nature of exposure. Market risk is primarily controlled via a series of cut-loss limits and potential loss limits, i.e. "Value at Risk" ("VaR"), set in accordance with the size of positions and risk tolerance appetites.

Portfolios held under the Bank's trading books are tracked using daily mark-to-market positions, which are compared against preset limits. The daily tracking of positions is supplemented by sensitivity analysis and stress tests, using VaR and other measurements.



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**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**
**45 Financial instruments (continued)****(a) Financial risk management objectives and policies (continued)****Market Risk Management (continued)**

Foreign exchange risks arising from adverse exchange rate movements, is managed by the setting of preset limits, matching of open positions against these preset limits and imposition of cut-loss mechanisms.

Interest rate risk exposure is also identified, measured and controlled through limits and procedures, which includes regularly reviewing the interest rate outlook and developing strategies to protect total net interest income from changes in market interest rates. This applies to both interest rate risk exposure in the trading book and in the banking book. In managing the interest rate risk exposure in the banking book, the Bank adopts methodologies that measure exposure in both earnings at risk perspective and economic value or capital at risk perspective.

In addition, the Bank also conducts periodic stress testing of its respective portfolios to ascertain market risk under abnormal market conditions.

**Liquidity Risk Management**

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet obligations as they fall due. Financial obligations arise from the withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the Bank's policy to ensure there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

Besides adhering to the Regulatory Liquidity Requirement, the Bank has put in place a robust and comprehensive liquidity risk management framework consisting of risk appetite, policies, triggers, limits and controls which are reviewed and concurred by the ALCO, endorsed by the BRMC and approved by the Board. The key elements of the framework cover proactive monitoring and management of cashflow, maintenance of high quality long-term and short-term marketable debt securities, diversification of funding base as well as maintains a liquidity compliance buffer to meet any unexpected cash outflows.

The Bank has in place liquidity contingency funding plans and stress test programs to minimise the liquidity risk that may arise due to unforeseen adverse changes in the marketplace. Contingency funding plans set out the crisis escalation process and the various strategies to be employed to preserve liquidity including an orderly communication channel during liquidity crisis scenarios. Liquidity stress tests are conducted regularly to ensure there is adequate liquidity contingency fund to meet the shortfalls during liquidity crisis scenarios.

In addition, the Bank also monitors the Net Stable Funding Ratio which is one of the key Basel III liquidity ratios in line with the observation period reporting to BNM.



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**Notes to the financial statements  
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**45 Financial instruments (continued)**
**(b) Market risk**

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates and foreign currency rates, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Group and the Bank.

The scenarios used are simplified whereby it is assumed that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business units and risk management to mitigate the effect of this movement in key variables. In reality, the Group and the Bank proactively seek to ensure that the interest rate risk profile is managed to minimise losses and optimise net revenues.

**(i) Interest/Profit rate risk sensitivity analysis**

The interest/profit rate sensitivity results below shows the impact on profit after tax and equity of financial assets and financial liabilities bearing floating interest/profit rates and fixed rate financial assets and financial liabilities.

	The Group		The Bank	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
<b>2015</b>				
+100 basis points ('bps')	<u>70,799</u>	<u>(217,826)</u>	<u>62,588</u>	<u>(169,139)</u>
-100 bps	<u>(70,799)</u>	<u>217,826</u>	<u>(62,588)</u>	<u>169,139</u>
<b>2014</b>				
+100 basis points ('bps')	<u>84,939</u>	<u>(197,591)</u>	<u>96,561</u>	<u>(159,714)</u>
-100 bps	<u>(84,939)</u>	<u>197,591</u>	<u>(96,561)</u>	<u>159,714</u>



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

**45 Financial instruments (continued)**

**(b) Market risk (continued)**

**(ii) Foreign currency risk sensitivity analysis**

The Group and the Bank take on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on their financial position and cash flows.

The table below sets out the principal structure of foreign exchange exposures of the Group and the Bank:

<b>The Group</b>	<b>2015 RM'000</b>	<b>2014 RM'000</b>
United States Dollar ("USD")	(19,136)	(93,878)
Euro ("EUR")	8,780	30,235
Great Britain Pound ("GBP")	55,710	10,076
Singapore Dollar ("SGD")	(62,557)	7,336
Australian Dollar ("AUD")	10,046	(130,577)
Chinese Yuan Renminbi ("CNY")	154,946	348,568
Hong Kong Dollar ("HKD")	(211,496)	(328,959)
Others	14,421	(28,501)
	<u>(49,286)</u>	<u>(185,700)</u>

<b>The Bank</b>	<b>2015 RM'000</b>	<b>2014 RM'000</b>
United States Dollar ("USD")	(16,824)	(78,602)
Euro ("EUR")	8,587	29,736
Great Britain Pound ("GBP")	55,301	9,893
Singapore Dollar ("SGD")	(63,419)	1,430
Australian Dollar ("AUD")	9,873	(130,875)
Chinese Yuan Renminbi ("CNY")	154,946	348,568
Hong Kong Dollar ("HKD")	(212,248)	(329,617)
Others	15,578	(29,369)
	<u>(48,206)</u>	<u>(178,836)</u>



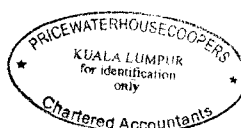
**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**
**Hong Leong Bank Berhad**

Company no: 97141-X  
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**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**
**45 Financial instruments (continued)**
**(b) Market risk (continued)**
**(ii) Foreign currency risk sensitivity analysis (continued)**

An analysis of the exposures to assess the impact of a one per cent change in the foreign currency exchange rates to the profit after tax are as follows:

	2015 RM'000	2014 RM'000
<b>The Group</b>		
<b>-1%</b>		
United States Dollar ("USD")	144	704
Euro ("EUR")	(66)	(227)
Great Britain Pound ("GBP")	(418)	(76)
Singapore Dollar ("SGD")	469	(55)
Australian Dollar ("AUD")	(75)	979
Chinese Yuan Renminbi ("CNY")	(1,162)	(2,614)
Hong Kong Dollar ("HKD")	1,586	2,467
Others	(108)	214
	<u>370</u>	<u>1,392</u>
<b>+1%</b>		
United States Dollar ("USD")	(144)	(704)
Euro ("EUR")	66	227
Great Britain Pound ("GBP")	418	76
Singapore Dollar ("SGD")	(469)	55
Australian Dollar ("AUD")	75	(979)
Chinese Yuan Renminbi ("CNY")	1,162	2,614
Hong Kong Dollar ("HKD")	(1,586)	(2,467)
Others	108	(214)
	<u>(370)</u>	<u>(1,392)</u>
<b>The Bank</b>		
<b>-1%</b>		
United States Dollar ("USD")	126	590
Euro ("EUR")	(64)	(223)
Great Britain Pound ("GBP")	(415)	(74)
Singapore Dollar ("SGD")	476	(11)
Australian Dollar ("AUD")	(74)	982
Chinese Yuan Renminbi ("CNY")	(1,162)	(2,614)
Hong Kong Dollar ("HKD")	1,592	2,472
Others	(117)	220
	<u>362</u>	<u>1,342</u>
<b>+1%</b>		
United States Dollar ("USD")	(126)	(590)
Euro ("EUR")	64	223
Great Britain Pound ("GBP")	415	74
Singapore Dollar ("SGD")	(476)	11
Australian Dollar ("AUD")	74	(982)
Chinese Yuan Renminbi ("CNY")	1,162	2,614
Hong Kong Dollar ("HKD")	(1,592)	(2,472)
Others	117	(220)
	<u>(362)</u>	<u>(1,342)</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**

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

**45 Financial instruments (continued)**

(b) Market risk (continued)

**Interest/Profit rate risk**

The tables below summarise the Group's and the Bank's exposure to interest/profit rate risks. Included in the tables are the Group's and the Bank's financial assets and financial liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The net interest sensitivity gap for items not recognised in the statements of financial position represents the net notional amounts of all interest/profit rate sensitive derivative financial instruments. As interest rates and yield curves change over time, the Group and the Bank may be exposed to loss in earnings due to the effects of interest rates on the structure of the statement of financial position. Sensitivity to interest/profit rates arises from mismatches in the repricing dates, cash flows and other characteristics of the financial assets and their corresponding financial liabilities funding.

	The Group 2015							Total RM'000
	Non-trading, book			Non-interest/ profit rate				
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	
<b>Financial assets</b>								
Cash and short-term funds	4,354,867	-	-	-	-	1,875,416	-	6,230,283
Deposits and placements with banks and other financial institutions	-	1,748,261	2,209,518	-	-	24,340	-	3,982,119
Securities purchased under resale agreements	10,344,798	1,799,856	-	-	-	18,598	-	12,163,252
Financial assets held-for-trading	-	-	-	-	-	-	7,131,434	7,131,434
Financial investments available-for-sale	650,360	876,582	921,031	12,811,176	1,311,264	3,736,940	-	20,307,353
Financial investments held-to-maturity	180,011	379,608	1,715,378	6,451,011	1,064,016	160,057	-	9,950,081
Loans, advances and financing	90,359,409	93,718	562,724	8,729,388	12,001,137	-	-	111,746,376
- performing	96,998	4,023	8,713	70,974	197,025	-	-	377,733
- impaired <sup>^</sup>	-	-	-	-	-	1,203,869	-	1,203,869
Other assets	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	1,424,689	1,424,689
- trading derivatives	-	-	-	-	-	-	-	-
- hedging derivatives	-	-	-	240	-	-	-	240
Statutory deposits with Central Banks	-	-	-	-	52,991	3,423,201	-	3,476,192
<b>Total financial assets</b>	<b>105,986,443</b>	<b>4,902,048</b>	<b>5,417,364</b>	<b>28,062,789</b>	<b>14,026,433</b>	<b>10,442,421</b>	<b>8,556,123</b>	<b>177,993,621</b>

<sup>^</sup> This represents outstanding impaired loans after deducting individual assessment impairment allowance and collective assessment impairment allowance.

**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)**

**45 Financial instruments (continued)**

**(b) Market risk (continued)**

**Interest/Profit rate risk (continued)**

	The Group 2015							Total RM'000
	Non-trading book			Non-interest/ profit rate sensitive				
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	
<b>Financial liabilities</b>								
Deposits from customers	53,547,504	24,861,701	37,490,821	3,330,179	679,024	20,366,919	-	140,276,148
Deposits and placements of banks and other financial institutions	4,744,937	1,869,007	476,023	-	-	6,264	-	7,096,231
Obligations on securities sold under repurchase agreements	1,274,795	1,992,378	421,285	-	-	2,880	-	3,691,338
Bills and acceptances payable	1,077,780	517,585	16,960	-	-	288,642	-	1,900,967
Other liabilities	-	-	-	-	-	3,750,369	-	3,750,369
Derivative financial instruments	-	-	-	-	-	-	1,287,702	1,287,702
- trading derivatives	-	-	-	-	-	-	-	24
- hedging derivatives	-	-	-	-	-	-	-	2,286,380
Senior bonds	-	-	1,131,329	1,135,650	-	19,401	-	4,619,812
Tier 2 subordinated bonds	-	699,998	1,499,379	2,397,536	-	22,899	-	1,410,869
Non-innovative Tier 1 stapled securities	-	-	1,399,828	-	-	11,041	-	530,223
Innovative Tier 1 capital securities	-	-	-	517,452	-	12,771	-	-
<b>Total financial liabilities</b>	<b>60,645,016</b>	<b>29,940,669</b>	<b>42,435,625</b>	<b>7,380,841</b>	<b>679,024</b>	<b>24,481,186</b>	<b>1,287,702</b>	<b>166,850,063</b>
<b>Net interest sensitivity gap</b>	<b>45,341,427</b>	<b>(25,038,621)</b>	<b>(37,018,261)</b>	<b>20,681,948</b>	<b>13,947,409</b>			
<b>Financial guarantees</b>	-	-	-	-	-	612,341	-	
<b>Credit related commitments and contingencies</b>	-	-	-	-	-	42,847,745	-	
<b>Treasury related commitments and contingencies (hedging)</b>	-	-	-	200,000	-	-	-	
<b>Net interest sensitivity gap</b>	-	-	-	<b>200,000</b>	-	<b>43,460,086</b>	-	



**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)**

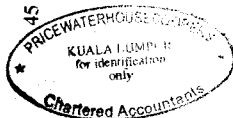
**45 Financial instruments (continued)**

**(b) Market risk (continued)**

**Interest/Profit rate risk (continued)**

	The Group 2014							Total RM'000
	Non-trading book			Non-interest/ profit rate sensitive				
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Over 5 years RM'000	Trading book RM'000	
<b>Financial assets</b>								
Cash and short-term funds	13,108,113	-	-	-	-	1,604,676	-	14,712,789
Deposits and placements with banks and other financial institutions	-	1,846,133	2,178,765	-	-	15,378	-	4,040,276
Securities purchased under resale agreements	2,185,744	522,676	-	-	-	8,601	-	2,717,021
Financial assets held-for-trading	-	-	-	-	-	-	11,314,476	11,314,476
Financial investments available-for-sale	1,037,691	916,462	1,452,633	9,966,965	772,954	2,530,504	-	16,677,209
Financial investments held-to-maturity	26,760	-	200,241	8,429,287	119,956	140,324	-	8,916,568
Loans, advances and financing								
- performing	82,627,853	29,077	382,213	8,114,935	11,048,341	-	-	102,202,419
- impaired ^	112,290	3,605	17,447	85,218	158,097	-	-	376,657
Other assets	-	-	-	-	-	423,738	-	423,738
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	687,441	687,441
Statutory deposits with Central Banks	-	-	-	-	18,745	-	-	18,745
<b>Total financial assets</b>	<b>99,098,451</b>	<b>3,317,953</b>	<b>4,231,299</b>	<b>26,596,405</b>	<b>12,118,093</b>	<b>7,855,118</b>	<b>12,001,917</b>	<b>165,219,236</b>

^ This represents outstanding impaired loans after deducting individual assessment impairment allowance and collective assessment impairment allowance.





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

**45 Financial instruments (continued)**

(b) Market risk (continued)

**Interest/Profit rate risk (continued)**

	The Group 2014							Total RM'000
	Non-trading book							
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	
<b>Financial liabilities</b>								
Deposits from customers	49,184,508	25,225,311	32,605,994	3,459,780	459,007	19,317,737	-	130,252,337
Deposits and placements of banks and other financial institutions	4,063,670	2,221,709	676,068	-	-	149,848	-	7,111,295
Obligations on securities sold under repurchase agreements	3,038,939	1,022,257	50,733	-	-	4,959	-	4,116,888
Bills and acceptances payable	3,278	23,668	22,006	-	-	309,780	-	358,732
Other liabilities	-	-	84,160	-	-	3,760,580	-	3,844,740
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	790,415	790,415
Senior bonds	-	-	-	1,919,753	-	16,454	-	1,936,207
Tier 2 subordinated bonds	-	-	-	4,844,496	-	23,857	-	4,868,353
Non-innovative Tier 1 stapled securities	-	-	-	1,399,211	-	11,041	-	1,410,252
Innovative Tier 1 capital securities	-	-	-	-	528,996	12,771	-	541,767
<b>Total financial liabilities</b>	<b>56,290,395</b>	<b>28,492,945</b>	<b>33,438,961</b>	<b>11,623,240</b>	<b>988,003</b>	<b>23,607,027</b>	<b>790,415</b>	<b>155,230,986</b>
<b>Net interest sensitivity gap</b>	<b>42,808,056</b>	<b>(25,174,992)</b>	<b>(29,207,662)</b>	<b>14,973,165</b>	<b>11,130,090</b>			
Financial guarantees	-	-	-	-	-	771,246	-	771,246
Credit related commitments and contingencies	-	-	-	-	-	40,684,132	-	40,684,132
<b>Net interest sensitivity gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,455,378</b>	<b>-</b>	<b>41,455,378</b>



**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)**

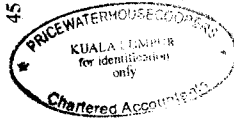
**45 Financial instruments (continued)**

**(b) Market risk (continued)**

**Interest/Profit rate risk (continued)**

	The Bank 2015							Total RM'000
	Non-trading book				Non-interest/ profit rate sensitive			
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Trading book RM'000		
Financial assets								
Cash and short-term funds	3,196,983	-	-	-	-	-	1,775,389	4,972,372
Deposits and placements with banks and other financial institutions	-	2,107,034	2,209,518	-	-	-	24,340	4,340,892
Securities purchased under resale agreements	10,344,798	1,799,856	-	-	-	-	18,598	12,163,252
Financial assets held-for-trading	-	-	-	-	-	7,123,538	-	7,123,538
Financial investments available-for-sale	528,725	755,936	606,035	11,238,236	528,535	-	3,712,971	17,370,438
Financial investments held-to-maturity	125,009	270,062	1,280,194	5,836,841	966,568	-	140,067	8,618,741
Loans, advances and financing								
- performing	78,765,606	30,901	326,501	7,175,419	8,953,693	-	-	95,252,120
- impaired ^	82,094	3,679	7,440	58,709	159,451	-	-	311,373
Other assets	-	-	-	-	-	-	1,084,861	1,084,861
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	-	1,421,331
- hedging derivatives	-	-	-	240	-	-	-	240
Amount due from subsidiaries	-	-	-	-	-	-	12,984	12,984
Statutory deposits with Central Banks	-	-	-	-	-	-	2,859,590	2,859,590
<b>Total financial assets</b>	<b>93,043,215</b>	<b>4,967,468</b>	<b>4,429,688</b>	<b>24,309,445</b>	<b>10,608,247</b>	<b>8,544,869</b>	<b>9,628,800</b>	<b>155,531,732</b>

^ This represents outstanding impaired loans after deducting individual assessment impairment allowance and collective assessment impairment allowance.



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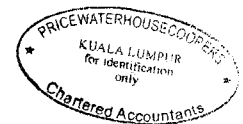
**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**

**45 Financial instruments (continued)**

(b) Market risk (continued)

**Interest/Profit rate risk (continued)**

	The Bank 2015						Total RM'000
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	
Financial liabilities	46,333,620	20,977,265	33,025,649	2,941,590	679,024	17,879,896	122,337,044
Deposits from customers	4,358,852	1,618,422	151,910	-	-	3,925	6,133,109
Deposits and placements of banks and other financial institutions	1,274,795	1,992,378	421,285	-	-	2,880	3,691,338
Obligations on securities sold under repurchase agreements	1,077,661	516,695	15,762	-	-	264,020	1,874,138
Bills and acceptances payable	-	-	-	-	-	3,105,949	3,105,949
Other liabilities	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-
- trading derivatives	-	-	-	-	24	-	1,269,870
- hedging derivatives	-	-	-	-	-	-	24
Senior bonds	-	-	1,131,329	1,135,650	-	19,401	2,286,380
Tier 2 subordinated bonds	-	699,998	1,499,379	1,997,967	-	22,163	4,219,807
Non-innovative Tier 1 stapled securities	-	-	1,399,828	-	-	11,041	1,410,869
Innovative Tier 1 capital securities	-	-	-	517,452	-	12,771	530,223
Total financial liabilities	53,544,928	25,804,758	37,645,142	6,592,683	679,024	21,322,046	146,858,451
Trading book	-	-	-	-	-	-	1,269,870
Non-trading book	-	-	-	-	-	-	-
Net interest sensitivity gap	39,498,287	(20,837,290)	(33,215,454)	17,716,762	9,929,223	-	-
Financial guarantees	-	-	-	-	-	597,676	-
Credit related commitments and contingencies	-	-	-	-	-	37,717,150	-
Treasury related commitments and contingencies (hedging)	-	-	-	200,000	-	-	-
Net interest sensitivity gap	-	-	-	200,000	-	38,314,826	-



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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)**

**45 Financial instruments (continued)**

(b) Market risk (continued)

**Interest/Profit rate risk (continued)**

	The Bank 2014							Total RM'000
	Non-trading book			Non-interest/ profit rate sensitive				
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Trading book RM'000		
<b>Financial assets</b>								
Cash and short-term funds	12,220,299	-	-	-	-	-	13,629,775	
Deposits and placements with banks and other financial institutions	-	1,826,841	2,178,765	-	-	-	4,020,983	
Securities purchased under resale agreements	2,185,744	522,676	-	-	-	-	2,717,021	
Financial assets held-for-trading	-	-	-	-	-	10,132,834	10,132,834	
Financial investments available-for-sale	918,324	860,181	1,145,882	7,527,173	772,954	-	13,732,377	
Financial investments held-to-maturity	20,001	-	260,388	7,300,752	119,956	-	7,828,290	
Loans, advances and financing								
- performing	72,622,913	7,129	249,677	6,665,640	8,018,859	-	87,564,218	
- impaired ^	98,876	2,173	14,937	72,268	120,977	-	309,231	
Other assets	-	-	-	-	-	-	374,836	
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	670,325	670,325	
Amount due from subsidiaries	-	-	-	-	-	-	11,437	
Statutory deposits with Central Banks	-	-	-	-	-	-	2,591,500	
<b>Total financial assets</b>	<b>88,066,157</b>	<b>3,219,000</b>	<b>3,849,649</b>	<b>21,565,833</b>	<b>9,032,746</b>	<b>10,803,159</b>	<b>143,582,827</b>	

^ This represents outstanding impaired loans after deducting individual assessment impairment allowance and collective assessment impairment allowance.

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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)**

**45 Financial instruments (continued)**

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Bank 2014						Total RM'000
	Non-trading book			Non-interest/ profit rate sensitive RM'000			
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Trading book RM'000	
<b>Financial liabilities</b>	42,585,031	20,745,179	30,430,291	2,982,662	411,136	-	114,098,835
Deposits from customers	3,293,197	1,557,012	389,068	-	-	-	5,387,384
Deposits and placements of banks and other financial institutions	3,038,939	1,022,257	50,733	-	-	-	4,116,888
Obligations on securities sold under repurchase agreements	3,106	20,849	20,273	-	-	-	327,899
Bills and acceptances payable	-	-	84,160	-	-	-	2,730,213
Other liabilities	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	760,406	760,406
- trading derivatives	-	-	-	-	-	-	-
Senior bonds	-	-	-	1,919,753	-	-	1,936,207
Tier 2 subordinated bonds	-	-	-	4,445,154	-	-	4,468,275
Non-innovative Tier 1 stapled securities	-	-	-	1,399,211	-	-	1,410,252
Innovative Tier 1 capital securities	-	-	-	-	528,996	-	541,767
<b>Total financial liabilities</b>	<b>48,920,273</b>	<b>23,345,297</b>	<b>30,974,525</b>	<b>10,746,780</b>	<b>940,132</b>	<b>760,406</b>	<b>135,778,126</b>
<b>Net interest sensitivity gap</b>	<b>39,145,884</b>	<b>(20,126,297)</b>	<b>(27,124,876)</b>	<b>10,819,053</b>	<b>8,092,614</b>	<b>-</b>	<b>759,592</b>
Financial guarantees	-	-	-	-	-	-	36,860,197
Credit related commitments and contingencies	-	-	-	-	-	-	37,619,789
<b>Net interest sensitivity gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>759,592</b>

**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)**

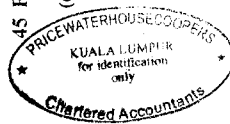
**45 Financial instruments (continued)**

(c) Liquidity risk

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

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2015 based on the remaining contractual maturity:

	Up to 1 week RM'000	1 week to 1 month RM'000	The Group 2015					Total RM'000
			1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	
<b>Assets</b>								
Cash and short-term funds	5,647,973	582,310	-	-	-	-	-	6,230,283
Deposits and placements with banks and other financial institutions	-	-	1,769,433	1,377,167	835,519	-	-	3,982,119
Securities purchased under resale agreements	2,310,095	8,052,072	1,801,085	-	-	-	-	12,163,252
Financial assets held-for-trading	779,168	603,871	2,913,273	702,851	42,196	2,090,075	-	7,131,434
Financial investments available-for-sale	2,834,853	616,078	877,241	226,376	703,901	14,231,440	817,464	20,307,353
Financial investments held-to-maturity	557	182,895	387,872	70,687	1,667,421	7,640,649	-	9,950,881
Loans, advances and financing	9,177,012	10,206,828	3,762,697	1,280,160	3,605,678	84,091,734	-	112,124,109
Other assets	430,315	4,475	8,696	11,465	2,423	18,793	819,252	1,295,419
Derivative financial instruments	120,924	304,629	261,789	144,110	114,159	479,318	-	1,424,929
Statutory deposits with Central Banks	-	-	-	-	-	-	3,476,192	3,476,192
Investment in associated companies	-	-	-	-	-	-	2,977,776	2,977,776
Investment in joint venture	-	-	-	-	-	-	128,790	128,790
Property and equipment	-	-	-	-	-	-	678,579	678,579
Intangible assets	-	-	-	-	-	-	318,107	318,107
Goodwill	-	-	-	-	-	-	1,831,312	1,831,312
<b>Total assets</b>	<b>21,300,897</b>	<b>20,553,158</b>	<b>11,782,086</b>	<b>3,812,816</b>	<b>6,971,297</b>	<b>108,552,009</b>	<b>11,047,472</b>	<b>184,019,735</b>



**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)**

**45 Financial instruments (continued)**

**(c) Liquidity risk (continued)**

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2015 based on the remaining contractual maturity: (continued)

	The Group							Total RM'000
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	
<b>Liabilities</b>	50,904,161	22,757,242	24,955,477	16,496,263	21,108,308	4,054,697	-	140,276,148
Deposits from customers	-	-	-	-	-	-	-	-
Deposits and placements of banks and other financial institutions	2,405,045	2,132,006	2,082,482	454,087	22,611	-	-	7,096,231
Obligations on securities sold under repurchase agreements	301,670	974,237	1,993,913	421,518	-	-	-	3,691,338
Bills and acceptances payable	276,954	800,826	517,585	16,226	734	-	288,642	1,900,967
Other liabilities	3,702,641	-	-	-	92,436	-	106,042	3,901,119
Derivative financial instruments	121,158	105,872	122,575	161,338	57,583	719,200	-	1,287,726
Senior bonds	-	-	-	-	1,143,718	1,142,662	-	2,286,380
Tier 2 subordinated bonds	-	-	713,113	499,568	1,006,669	2,400,462	-	4,619,812
Non-innovative Tier 1 stapled securities	-	-	-	-	1,410,869	-	-	1,410,869
Innovative Tier 1 capital securities	-	-	-	-	-	530,223	-	530,223
Taxation	-	-	-	-	-	-	152,240	152,240
Deferred tax liabilities	-	-	-	-	-	-	77,090	77,090
<b>Total liabilities</b>	57,711,629	26,770,183	30,385,145	18,049,000	24,842,928	8,847,244	624,014	167,230,143
Total equity	-	-	-	-	-	-	16,789,592	16,789,592
<b>Total liabilities and equity</b>	57,711,629	26,770,183	30,385,145	18,049,000	24,842,928	8,847,244	17,413,606	184,019,735
<b>Net liquidity gap</b>	(36,410,732)	(6,217,025)	(18,603,059)	(14,236,184)	(17,871,631)	99,704,765	-	-

**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)**

**45 Financial instruments (continued)**

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2014 based on the remaining contractual maturity:

	Up to 1 week RM'000	1 week to 1 month RM'000	The Group 2014					Over 1 year RM'000	No specific maturity RM'000	Total RM'000
			1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 3 months RM'000	3 to 6 months RM'000			
<b>Assets</b>										
Cash and short-term funds	8,099,425	6,613,364	-	-	-	-	-	-	14,712,789	
Deposits and placements with banks and other financial institutions	-	-	1,854,185	2,186,091	-	-	-	-	4,040,276	
Securities purchased under resale agreements	330,766	1,861,122	525,133	-	-	-	-	-	2,717,021	
Financial assets held-for-trading	1,131,472	1,610,768	4,760,981	2,842,521	210,900	753,951	3,883	-	11,314,476	
Financial investments available-for-sale	2,164,454	877,577	922,662	444,348	1,015,867	10,837,534	414,767	-	16,677,209	
Financial investments held-to-maturity	8,171	20,343	-	-	202,557	8,685,497	-	-	8,916,568	
Loans, advances and financing	9,219,861	9,009,580	4,260,701	1,587,252	2,680,392	75,821,290	-	-	102,579,076	
Other assets	43,835	3,488	5,454	7,407	1,717	14,723	420,613	-	497,237	
Derivative financial instruments	60,526	49,532	83,757	30,112	60,037	403,477	-	-	687,441	
Statutory deposits with Central Banks	-	-	-	-	-	-	3,150,642	-	3,150,642	
Investment in associated companies	-	-	-	-	-	-	2,063,300	-	2,063,300	
Investment in joint venture	-	-	-	-	-	-	90,080	-	90,080	
Property and equipment	-	-	-	-	-	-	725,585	-	725,585	
Intangible assets	-	-	-	-	-	-	347,791	-	347,791	
Goodwill	-	-	-	-	-	-	1,831,312	-	1,831,312	
<b>Total assets</b>	<b>21,058,510</b>	<b>20,045,774</b>	<b>12,412,873</b>	<b>7,097,731</b>	<b>4,171,470</b>	<b>96,516,472</b>	<b>9,047,973</b>	<b>170,350,803</b>		



**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)

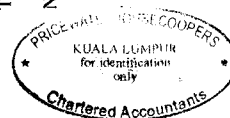
**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**

**45 Financial instruments (continued)**

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2014 based on the remaining contractual maturity: (continued)

	The Group 2014							Total RM'000
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	
<b>Liabilities</b>	47,585,319	20,704,847	25,308,965	15,022,784	17,670,231	3,960,191	-	130,252,337
Deposits from customers	-	-	-	-	-	-	-	-
Deposits and placements of banks and other financial institutions	1,929,400	2,282,272	2,222,812	527,854	148,957	-	-	7,111,295
Obligations on securities sold under repurchase agreements	609,567	2,434,004	1,022,584	50,733	-	-	-	4,116,888
Bills and acceptances payable	137	3,142	23,668	20,530	1,476	-	309,779	358,732
Other liabilities	3,943,805	-	-	84,160	124,217	-	98,855	4,251,037
Derivative financial instruments	43,042	38,218	54,181	56,293	126,715	471,966	-	790,415
Senior bonds	-	-	-	-	-	1,936,207	-	1,936,207
Tier 2 subordinated bonds	-	-	-	-	-	4,868,353	-	4,868,353
Non-innovative Tier 1 stapled securities	-	-	-	-	-	1,410,252	-	1,410,252
Innovative Tier 1 capital securities	-	-	-	-	-	541,767	-	541,767
Taxation	-	-	-	-	-	-	49,581	49,581
Deferred tax liabilities	-	-	-	-	-	-	133,761	133,761
<b>Total liabilities</b>	54,111,270	25,462,483	28,632,210	15,762,354	18,071,596	13,188,736	591,976	155,820,625
Total equity	-	-	-	-	-	-	14,530,178	14,530,178
<b>Total liabilities and equity</b>	54,111,270	25,462,483	28,632,210	15,762,354	18,071,596	13,188,736	15,122,154	170,350,803
<b>Net liquidity gap</b>	(33,052,760)	(5,416,709)	(16,219,337)	(8,664,623)	(13,900,126)	83,327,736	-	-



**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)**

**Financial instruments (continued)**

**(c) Liquidity risk (continued)**

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2015 based on the remaining contractual maturity:

	The Bank 2015							Total RM'000
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	
<b>Assets</b>								
Cash and short-term funds	3,993,253	979,119	-	-	-	-	-	4,972,372
Deposits and placements with banks and other financial institutions	-	-	2,128,206	1,377,167	835,519	-	-	4,340,892
Securities purchased under resale agreements	2,310,095	8,052,072	1,801,085	-	-	-	-	12,163,252
Financial assets held-for-trading	778,353	553,916	3,132,004	653,347	292,185	1,713,733	-	7,123,538
Financial investments available-for-sale	2,800,134	529,008	756,595	172,563	437,755	11,856,919	817,464	17,370,438
Financial investments held-to-maturity	49	127,012	273,794	20,130	1,276,306	6,921,450	-	8,618,741
Loans, advances and financing	8,842,040	9,656,103	3,557,998	1,100,002	3,184,113	69,223,237	-	95,563,493
Other assets	426,556	4,342	8,442	11,156	2,413	16,926	680,070	1,149,905
Derivative financial instruments	120,883	304,660	261,789	143,949	114,130	476,160	-	1,421,571
Amount due from subsidiaries	-	-	-	-	-	-	12,984	12,984
Statutory deposits with Central Banks	-	-	-	-	-	-	2,859,590	2,859,590
Subsidiary companies	-	-	-	-	-	-	1,358,443	1,358,443
Investment in associated companies	-	-	-	-	-	-	946,525	946,525
Investment in joint venture	-	-	-	-	-	-	76,711	76,711
Property and equipment	-	-	-	-	-	-	627,784	627,784
Intangible assets	-	-	-	-	-	-	302,801	302,801
Goodwill	-	-	-	-	-	-	1,771,547	1,771,547
<b>Total assets</b>	<b>19,271,363</b>	<b>20,206,232</b>	<b>11,919,913</b>	<b>3,478,314</b>	<b>6,142,421</b>	<b>90,208,425</b>	<b>9,453,919</b>	<b>160,680,587</b>

**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)**

**45 Financial instruments (continued)**

**(c) Liquidity risk (continued)**

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2015 based on the remaining contractual maturity: (continued)

	The Bank 2015							Total RM'000
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	
<b>Liabilities</b>	44,055,893	20,453,431	21,061,472	13,901,575	19,215,889	3,648,784	-	122,337,044
Deposits from customers	-	-	-	-	-	-	-	-
Deposits and placements of banks and other financial institutions	2,176,976	1,972,999	1,831,223	129,300	22,611	-	-	6,133,109
Obligations on securities sold under repurchase agreements	301,670	974,237	1,993,913	421,518	-	-	-	3,691,338
Bills and acceptances payable	276,948	800,712	516,695	15,029	734	-	264,020	1,874,138
Other liabilities	3,068,871	-	-	-	89,442	-	105,693	3,264,006
Derivative financial instruments	115,917	104,406	117,194	161,169	57,348	713,860	-	1,269,894
Senior bonds	-	-	-	-	1,143,718	1,142,662	-	2,286,380
Tier 2 subordinated bonds	-	-	-	-	1,006,669	2,000,157	-	4,219,507
Non-innovative Tier 1 stapled securities	-	-	713,113	499,568	1,410,869	-	-	1,410,869
Innovative Tier 1 capital securities	-	-	-	-	-	530,223	-	530,223
Taxation	-	-	-	-	-	-	160,243	160,243
Deferred tax liabilities	-	-	-	-	-	-	75,672	75,672
<b>Total liabilities</b>	49,996,275	24,305,785	26,233,610	15,128,159	22,947,280	8,035,686	605,628	147,252,423
Total equity	-	-	-	-	-	-	13,428,164	13,428,164
<b>Total liabilities and equity</b>	49,996,275	24,305,785	26,233,610	15,128,159	22,947,280	8,035,686	14,033,792	160,680,587
<b>Net liquidity gap</b>	(30,724,912)	(4,099,553)	(14,313,697)	(11,649,845)	(16,804,859)	82,172,739	-	-

**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)

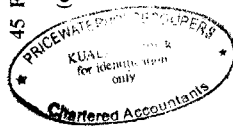
**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**

**45 Financial instruments (continued)**

(e) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2014 based on the remaining contractual maturity:

	The Bank 2014							Total RM'000
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	
<b>Assets</b>								
Cash and short-term funds	6,954,072	6,675,703	-	-	-	-	-	13,629,775
Deposits and placements with banks and other financial institutions	-	-	1,834,892	2,186,091	-	-	-	4,020,983
Securities purchased under resale agreements	330,766	1,861,122	525,133	-	-	-	-	2,717,021
Financial assets held-for-trading	1,281,248	1,361,140	4,263,342	2,155,514	191,333	876,374	3,883	10,132,834
Financial investments available-for-sale	2,130,085	792,151	866,023	292,219	860,483	8,376,696	414,720	13,732,377
Financial investments held-to-maturity	49	20,343	-	-	262,287	7,545,611	-	7,828,290
Loans, advances and financing	9,048,395	8,660,300	3,681,795	1,314,812	2,294,781	62,873,366	-	87,873,449
Other assets	43,083	3,395	5,299	7,213	1,701	12,378	-	434,542
Derivative financial instruments	60,102	48,843	83,501	29,076	60,010	388,793	-	670,325
Amount due from subsidiaries	-	-	-	-	-	-	11,437	11,437
Statutory deposits with Central Banks	-	-	-	-	-	-	2,591,500	2,591,500
Subsidiary companies	-	-	-	-	-	-	1,352,159	1,352,159
Investment in associated companies	-	-	-	-	-	-	946,505	946,505
Investment in joint venture	-	-	-	-	-	-	76,711	76,711
Property and equipment	-	-	-	-	-	-	697,102	697,102
Intangible assets	-	-	-	-	-	-	335,319	335,319
Goodwill	-	-	-	-	-	-	1,771,547	1,771,547
<b>Total assets</b>	<b>19,847,800</b>	<b>19,422,997</b>	<b>11,259,985</b>	<b>5,984,925</b>	<b>3,670,595</b>	<b>80,073,218</b>	<b>8,562,356</b>	<b>148,821,876</b>



**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)**

**45 Financial instruments (continued)**

**(e) Liquidity risk (continued)**

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2014 based on the remaining contractual maturity: (continued)

	The Bank 2014							Total RM'000
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	
<b>Liabilities</b>	40,927,807	18,431,712	20,814,066	13,950,025	16,558,748	3,416,477	-	114,098,835
Deposits from customers								
Deposits and placements of banks and other financial institutions	1,398,630	2,041,903	1,557,602	240,292	148,957	-	-	5,387,384
Obligations on securities sold under repurchase agreements	609,566	2,434,005	1,022,584	50,733	-	-	-	4,116,888
Bills and acceptances payable	133	2,973	20,849	18,797	1,476	-	283,671	327,899
Other liabilities	2,981,793	-	-	84,160	120,419	-	97,810	3,284,182
Derivative financial instruments	40,393	37,179	52,295	55,609	126,688	448,242	-	760,406
Senior bonds	-	-	-	-	-	1,936,207	-	1,936,207
Tier 2 subordinated bonds	-	-	-	-	-	4,468,275	-	4,468,275
Non-innovative Tier 1 stapled securities	-	-	-	-	-	1,410,252	-	1,410,252
Innovative Tier 1 capital securities	-	-	-	-	-	541,767	-	541,767
Taxation	-	-	-	-	-	-	24,364	24,364
Deferred tax liabilities	-	-	-	-	-	-	134,919	134,919
<b>Total liabilities</b>	<b>45,958,322</b>	<b>22,947,772</b>	<b>23,467,396</b>	<b>14,399,616</b>	<b>16,956,288</b>	<b>12,221,220</b>	<b>540,764</b>	<b>136,491,378</b>
<b>Total equity</b>	-	-	-	-	-	-	12,330,498	12,330,498
<b>Total liabilities and equity</b>	<b>45,958,322</b>	<b>22,947,772</b>	<b>23,467,396</b>	<b>14,399,616</b>	<b>16,956,288</b>	<b>12,221,220</b>	<b>12,871,262</b>	<b>148,821,876</b>
<b>Net liquidity gap</b>	<b>(26,110,522)</b>	<b>(3,524,775)</b>	<b>(12,207,411)</b>	<b>(8,414,691)</b>	<b>(13,285,693)</b>	<b>67,851,998</b>	-	-



**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)**

**5 Financial instruments (continued)**

**(e) Liquidity risk (continued)**

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

	The Group 2015						Total RM'000
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000		
<b>Financial liabilities</b>							
Deposits from customers	74,027,452	25,757,369	38,442,677	4,207,897	788,250	143,223,645	
Deposits and placements of banks and other financial institutions	5,862,950	3,546,850	396,966	-	-	9,806,766	
Obligations on securities sold under repurchase agreements	974,431	2,297,078	422,363	-	-	3,693,872	
Bills and acceptances payable	1,363,567	499,991	-	-	-	1,863,558	
Other liabilities	3,750,369	-	-	-	-	3,750,369	
Derivative financial instruments							
- Gross settled derivatives	(114,623)	(9,055,291)	(2,623,202)	(160,842)	(2,501,210)	(14,455,168)	
- Inflow	114,616	8,866,039	2,503,936	152,778	2,561,772	14,199,141	
- Outflow	4,345	38,921	80,443	147,354	44,256	315,319	
- Net settled derivatives	-	21,468	1,192,374	1,171,139	-	2,384,981	
Senior bonds	-	716,835	1,666,531	2,732,536	-	5,115,902	
Tier 2 subordinated bonds	-	-	1,470,894	-	-	1,470,894	
Non-innovative Tier 1 stapled securities	-	20,795	20,568	644,545	-	685,908	
Innovative Tier 1 capital securities	-	-	-	-	-	-	
<b>Total financial liabilities</b>	<b>85,983,107</b>	<b>32,710,055</b>	<b>43,573,550</b>	<b>8,895,407</b>	<b>893,068</b>	<b>172,055,187</b>	



**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)**

**45 Financial instruments (continued)**

**(c) Liquidity risk (continued)**

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

	The Group 2014					Total RM'000
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	
<b>Financial liabilities</b>						
Deposits from customers	69,594,484	25,499,056	33,253,419	4,626,050	550,110	133,523,119
Deposits and placements of banks and other financial institutions	4,243,916	2,627,595	728,812	-	-	7,600,323
Obligations on securities sold under repurchase agreements	2,952,390	1,116,282	50,775	-	-	4,119,447
Bills and acceptances payable	313,526	704	187	-	-	314,417
Other liabilities	3,760,580	-	84,160	-	-	3,844,740
Derivative financial instruments						
- Gross settled derivatives	(6,948,077)	(2,744,774)	(8,312,106)	(431,906)	(1,475)	(18,438,338)
- Inflow	6,966,290	2,742,902	8,375,241	406,147	1,876	18,492,456
- Outflow	29,973	23,899	78,358	253,240	59,321	444,791
- Net settled derivatives	-	18,207	47,927	2,022,714	-	2,088,848
Senior bonds	-	16,835	457,087	5,120,916	-	5,594,838
Tier 2 subordinated bonds	-	-	70,700	1,470,894	-	1,541,594
Non-innovative Tier 1 stapled securities	-	-	-	165,226	520,682	727,158
Innovative Tier 1 capital securities	-	20,795	20,455	-	-	41,250
<b>Total financial liabilities</b>	<b>80,913,082</b>	<b>29,321,501</b>	<b>34,855,015</b>	<b>13,633,281</b>	<b>1,130,514</b>	<b>159,853,393</b>

**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)**

**45 Financial instruments (continued)**

**(c) Liquidity risk (continued)**

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

	The Bank 2015					
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
<b>Financial liabilities</b>						
Deposits from customers	64,773,417	21,316,137	33,622,836	3,239,817	788,250	123,740,457
Deposits and placements of banks and other financial institutions	4,946,546	2,779,592	76,112	-	-	7,802,250
Obligations on securities sold under repurchase agreements	974,431	2,297,078	422,363	-	-	3,693,872
Bills and acceptances payable	1,338,945	499,991	-	-	-	1,838,936
Other liabilities	3,105,949	-	-	-	-	3,105,949
Derivative financial instruments						
- Gross settled derivatives	(114,623)	(8,407,412)	(2,474,850)	(160,842)	(2,501,210)	(13,658,937)
- In flow	114,616	8,231,114	2,353,097	152,778	2,561,772	13,413,377
- Outflow	4,345	37,438	80,526	136,696	44,256	303,261
- Net settled derivatives	-	21,468	1,192,374	1,171,139	-	2,384,981
Senior bonds	-	716,835	1,647,278	2,274,936	-	4,639,049
Tier 2 subordinated bonds	-	-	1,470,894	-	-	1,470,894
Non-innovative Tier 1 stapled securities	-	20,795	20,568	644,545	-	685,908
Innovative Tier 1 capital securities	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>75,143,626</b>	<b>27,513,036</b>	<b>38,411,198</b>	<b>7,459,069</b>	<b>893,068</b>	<b>149,419,997</b>



**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)**

**45 Financial instruments (continued)**

(c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

	The Bank 2014					
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial liabilities						
Deposits from customers	60,421,493	21,057,787	30,933,606	3,255,009	495,458	116,163,353
Deposits and placements of banks and other financial institutions	3,421,324	2,019,747	390,379	-	-	5,831,450
Obligations on securities sold under repurchase agreements	2,952,390	1,116,282	50,775	-	-	4,119,447
Bills and acceptances payable	287,418	704	187	-	-	288,309
Other liabilities	2,646,053	-	84,160	-	-	2,730,213
Derivative financial instruments						
- Gross settled derivatives	(6,506,303)	(2,647,099)	(8,308,676)	(416,046)	(1,475)	(17,879,599)
- Inflow	6,527,406	2,646,587	8,373,097	390,528	1,876	17,939,494
- Outflow	29,197	23,560	83,305	230,134	57,078	423,274
- Net settled derivatives	-	18,207	47,927	2,022,714	-	2,088,848
Senior bonds	-	16,835	437,887	4,644,063	-	5,098,785
Tier 2 subordinated bonds	-	-	70,700	1,470,894	-	1,541,594
Tier 1 stapled securities	-	-	-	-	520,682	520,682
Non-innovative Tier 1 capital securities	-	20,795	20,455	165,226	-	727,158
Innovative Tier 1 capital securities	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>69,778,978</b>	<b>24,273,405</b>	<b>32,183,802</b>	<b>11,762,522</b>	<b>1,073,619</b>	<b>139,072,326</b>

**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)**
**45 Financial instruments (continued)**
**(c) Liquidity risk (continued)**

The following table presents the contractual expiry by maturity of the Group's and Bank's commitments and contingencies:

<b>The Group</b>	<b>Less than 1 year RM'000</b>	<b>Over 1 year RM'000</b>	<b>Total RM'000</b>
<b>2015</b>			
Direct credit substitutes	117,309	95,674	212,983
Short-term self liquidating trade related contingencies	390,349	9,009	399,358
Irrevocable commitments to extend credit	17,262,934	18,158,775	35,421,709
Unutilised credit card lines	7,426,036	-	7,426,036
<b>Total commitments and contingencies</b>	<b>25,196,628</b>	<b>18,263,458</b>	<b>43,460,086</b>
<b>2014</b>			
Direct credit substitutes	167,245	188,922	356,167
Short-term self liquidating trade related contingencies	405,768	9,311	415,079
Irrevocable commitments to extend credit	15,821,707	17,251,829	33,073,536
Unutilised credit card lines	7,610,596	-	7,610,596
<b>Total commitments and contingencies</b>	<b>24,005,316</b>	<b>17,450,062</b>	<b>41,455,378</b>
<b>The Bank</b>			
<b>2015</b>			
Direct credit substitutes	116,324	95,254	211,578
Short-term self liquidating trade related contingencies	386,098	-	386,098
Irrevocable commitments to extend credit	15,610,783	14,680,331	30,291,114
Unutilised credit card lines	7,426,036	-	7,426,036
<b>Total commitments and contingencies</b>	<b>23,539,241</b>	<b>14,775,585</b>	<b>38,314,826</b>
<b>2014</b>			
Direct credit substitutes	166,543	188,565	355,108
Short-term self liquidating trade related contingencies	404,484	-	404,484
Irrevocable commitments to extend credit	14,681,470	14,568,131	29,249,601
Unutilised credit card lines	7,610,596	-	7,610,596
<b>Total commitments and contingencies</b>	<b>22,863,093</b>	<b>14,756,696</b>	<b>37,619,789</b>

Undrawn loan commitments are recognised at activation stage and include commitments which are unconditionally cancellable by the Group and the Bank. The Group and the Bank expect that not all of the contingent liabilities and undrawn loan commitments will be drawn before expiry.



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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)**


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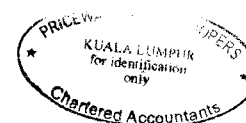
**Hong Leong Bank Berhad**

Company no: 97141-X  
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**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**
**45 Financial instruments (continued)****(d) Credit risk****(i) Maximum exposure to credit risk**

The maximum exposure to credit risk for financial assets recognised in the statements of financial position is their carrying amounts. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers. The table below shows the maximum exposure to credit risk for the Group and the Bank:

	The Group	
	2015	2014
	RM'000	RM'000
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)	8,704,643	17,813,462
Securities purchased under resale agreements	12,163,252	2,717,021
Financial assets and investments portfolios (exclude shares):		
- Financial assets held-for-trading	7,128,040	11,310,593
- Financial investments available-for-sale	16,689,888	14,260,926
- Financial investments held-to-maturity	9,895,546	8,864,033
Loans, advances and financing	112,124,109	102,579,076
Other assets	1,203,869	423,738
Derivative assets	1,424,929	687,441
Credit risk exposure relating to off-balance sheet items:		
Credit related commitments and contingencies	43,460,086	41,455,378
Total maximum credit risk exposure	212,794,362	200,111,668



**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)**

**45 Financial instruments (continued)**

**(d) Credit risk (continued)**

**(i) Maximum exposure to credit risk (continued)**

	The Bank	
	2015 RM'000	2014 RM'000
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)	7,880,149	16,753,928
Securities purchased under resale agreements	12,163,252	2,717,021
Financial assets and investments portfolios (exclude shares):		
- Financial assets held-for-trading	7,120,144	10,128,951
- Financial investments available-for-sale	13,752,973	11,316,141
- Financial investments held-to-maturity	8,564,206	7,775,755
Loans, advances and financing	95,563,493	87,873,449
Other assets	1,084,861	374,836
Amount due from subsidiaries	12,984	11,437
Derivative assets	1,421,571	670,325
Credit risk exposure relating to off-balance sheet items:		
Credit related commitments and contingencies	38,314,826	37,619,789
Total maximum credit risk exposure	<u>185,878,459</u>	<u>175,241,632</u>

**(ii) Collaterals**

The main types of collateral obtained by the Group and the Bank are as follows:

- (a) Fixed deposits, Mudharabah General Investment Account, negotiable instrument of deposits, foreign currency deposits and cash deposits/margins
- (b) Land and buildings
- (c) Aircrafts, vessels and automobiles
- (d) Quoted shares, unit trust, Malaysian Governments Bonds and securities and private debt securities
- (e) Endowment life policies with cash surrender value
- (f) Other tangible business assets, such as inventory and equipment

The Group and the Bank also accept non-tangible securities such as support, guarantees from individuals, corporates and institutions, bank guarantees, debentures, assignment of contract payments, which are subject to internal guidelines on eligibility.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing for the Group and the Bank is 81.61% (2014: 89.14%) and 81.25% (2014: 88.33%) respectively. The financial effects of collateral held for the remaining financial assets are insignificant.



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**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**
**45 Financial instruments (continued)**
**(d) Credit risk (continued)**
**(iii) Credit quality**

The Group and the Bank assess credit quality of loans, advances and financing using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers judgement.

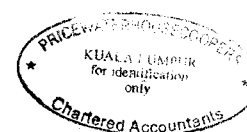
The credit quality of financial assets other than loans, advances and financing are determined based on the ratings of counterparties as defined by Moody's or equivalent ratings of other international rating agencies as defined below:

- AAA to AA3
- A1 to A3
- Baa1 to Baa3
- P1 to P3

**(a) Loans, advances and financing**

Loans, advances and financing are summarised as follows:

	The Group		The Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Neither past due nor impaired	104,613,678	94,100,736	89,494,643	81,105,628
Past due but not impaired	7,856,652	8,836,178	6,373,915	7,094,598
Individually impaired	947,960	1,231,735	822,800	1,025,115
<b>Gross loans, advances and financing</b>	<b>113,418,290</b>	<b>104,168,649</b>	<b>96,691,358</b>	<b>89,225,341</b>
Unamortised fair value changes arising from terminated fair value hedges	(2,188)	(1,516)	547	3,431
Less : Allowance for impaired loans, advances and financing				
- Individual assessment allowance	(322,960)	(511,453)	(305,924)	(433,037)
- Collective assessment allowance	(969,033)	(1,076,604)	(822,488)	(922,286)
<b>Net loans, advances and financing</b>	<b>112,124,109</b>	<b>102,579,076</b>	<b>95,563,493</b>	<b>87,873,449</b>



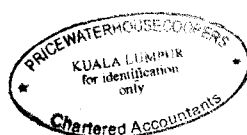
**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**
**Hong Leong Bank Berhad**

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**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**
**45 Financial instruments (continued)**
**(d) Credit risk (continued)**
**(iii) Credit quality (continued)**
**(a) Loans, advances and financing (continued)**
**(i) Loans, advances and financing neither past due nor impaired**

Analysis of loans, advances and financing that are neither past due nor impaired analysed based on the Group's and the Bank's credit grading system is as follows:

	The Group		The Bank		
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	
<b>Consumer loans/financing</b>					
<u>Risk Grade</u>					
Good	72,422,243	63,113,664	61,143,795	53,286,160	
Weakest	587,566	619,854	481,434	550,115	
	<u>73,009,809</u>	<u>63,733,518</u>	<u>61,625,229</u>	<u>53,836,275</u>	
<b>Corporates loans/financing</b>					
<u>Risk Grade</u>	<u>Credit Quality</u>				
A	Exceptional	899,588	892,667	482,200	529,386
B+	Superior	3,723,977	3,300,839	2,930,601	2,628,570
B	Excellent	5,945,468	5,777,197	5,421,756	5,247,651
B-	Strong	5,119,426	4,881,363	4,429,041	4,435,516
C+	Good	5,484,968	4,871,072	5,154,936	4,502,723
C	Satisfactory	6,670,357	6,207,560	6,076,918	5,710,539
C-	Fair	2,575,284	3,189,640	2,358,154	3,026,622
D+	Adequate	734,607	784,535	712,883	744,555
D	Marginal	45,745	159,531	44,845	157,096
Un-graded		404,449	302,814	258,080	286,695
		<u>31,603,869</u>	<u>30,367,218</u>	<u>27,869,414</u>	<u>27,269,353</u>
Total neither past due nor impaired		<u>104,613,678</u>	<u>94,100,736</u>	<u>89,494,643</u>	<u>81,105,628</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)**
**45 Financial instruments (continued)**
**(d) Credit risk (continued)**
**(iii) Credit quality (continued)**
**(a) Loans, advances and financing (continued)**
**(ii) Loans, advances and financing past due but not impaired**

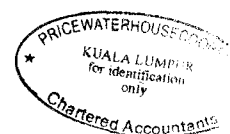
A financial asset is defined as "past due" when the counterparty has failed to make a principal or interest payment when contractually due.

Loans, advances and financing less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans, advances and financing by class to customers that were past due but not impaired were as follows:

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Past due less than 30 days	5,427,934	6,118,113	4,413,044	4,917,730
Past due 30 to less than 60 days	1,734,968	1,953,269	1,390,828	1,554,672
Past due 60 to less than 90 days	693,750	764,796	570,043	622,196
Past due but not impaired	<b>7,856,652</b>	<b>8,836,178</b>	<b>6,373,915</b>	<b>7,094,598</b>

(iii) Loans, advances and financing that are determined to be impaired as at 30 June 2015 and 30 June 2014 are as follows:

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Gross amount of impaired loans	947,960	1,231,735	822,800	1,025,115
Less: Individual assessment impairment allowance	(322,960)	(511,453)	(305,924)	(433,037)
Less: Collective assessment impairment allowance	(247,267)	(343,625)	(205,503)	(282,847)
Total net amount impaired loans	<b>377,733</b>	<b>376,657</b>	<b>311,373</b>	<b>309,231</b>



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

45 Financial instruments (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(b) Other financial assets

Analysis of other financial assets by rating agency designation (where applicable) as at 30 June 2015, based on Moody's ratings or its equivalent are as follows:

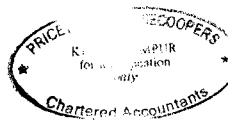
	Short-term funds and deposits and placements with banks and other financial institutions * RM'000	Securities purchased under resale agreements ^ RM'000	Financial assets held-for- trading # RM'000	Financial investments available- for-sale # RM'000	Financial investments held-to- maturity # RM'000	Other assets RM'000	Derivative assets RM'000
Neither past due nor impaired							
AAA to AA3	453,102	-	300,289	6,709,973	145,903	-	94,151
A1 to A3	4,688,270	-	366,584	3,140,243	-	-	754,039
Baa1 to Baa3	548,661	-	13,557	354,755	-	-	24,422
P1 to P3	200,172	-	-	50,025	-	-	27
Non-rated	2,814,438	12,163,252	6,447,610	6,434,892	9,749,643	1,203,869	552,290
	8,704,643	12,163,252	7,128,040	16,689,888	9,895,546	1,203,869	1,424,929

The amount of short-term funds and deposits and placements with banks and other financial institutions, financial assets and investment portfolios, other assets and derivative assets that are past due but not impaired is not material.

\* Placements with banks and other financial institutions with no ratings mainly comprise placements with BNM.

^ Comprises securities purchased under resale agreements with local financial institutions.

# Securities with no ratings consist of government securities.





**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)**

- 45 Financial instruments (continued)
- (d) Credit risk (continued)
- (iii) Credit quality (continued)
- (b) Other financial assets (continued)

Analysis of other financial assets by rating agency designation (where applicable) as at 30 June 2014, based on Moody's ratings or its equivalent are as follows:

	Short-term funds and deposits and placements with banks and other financial institutions * RM'000	Securities purchased under resale agreements ^ RM'000	Financial assets held-for- trading # RM'000	Financial investments available- for-sale # RM'000	Financial investments held-to- maturity # RM'000	Other assets RM'000	Derivative assets RM'000
The Group 2014							
Neither past due nor impaired							
AAA to AA3	1,163,264	-	216,128	4,826,265	188,611	-	133,767
A1 to A3	6,514,539	-	379,899	2,701,245	-	-	333,556
Baa1 to Baa3	326,743	-	-	213,756	-	-	36,184
P1 to P3	66,129	-	10,983	-	-	-	-
Non-rated	9,742,787	2,717,021	10,703,583	6,519,660	8,675,422	423,738	183,934
	17,813,462	2,717,021	11,310,593	14,260,926	8,864,033	423,738	687,441

The amount of short-term funds and deposits and placements with banks and other financial institutions, financial assets and investment portfolios, other assets and derivative assets that are past due but not impaired is not material.

\* Placements with banks and other financial institutions with no ratings mainly comprise placements with BNM.

^ Comprises securities purchased under resale agreements with local financial institutions.

# Securities with no ratings consist of government securities.



**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)**

45 Financial instruments (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(b) Other financial assets (continued)

Analysis of other financial assets by rating agency designation (where applicable) as at 30 June 2015, based on Moody's ratings or its equivalent are as follows:

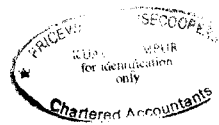
Neither past due nor impaired	Short-term funds and deposits and placements with banks and other financial institutions * RM'000	Securities purchased under resale agreements ^ RM'000	Financial assets held-for-trading # RM'000	Financial investments available-for-sale # RM'000	Financial investments held-to-maturity # RM'000	Other assets RM'000	Amount due from subsidiaries RM'000	Derivative assets RM'000
AAA to AA3	452,725	-	300,289	5,961,658	89,787	-	-	79,874
A1 to A3	4,671,783	-	366,584	3,056,289	-	-	-	754,039
Baa1 to Baa3	548,027	-	13,557	354,755	-	-	-	24,422
P1 to P3	200,172	-	-	50,025	-	-	-	27
Non-rated	2,007,442	12,163,252	6,439,714	4,330,246	8,474,419	1,084,861	12,984	563,209
	7,880,149	12,163,252	7,120,144	13,752,973	8,564,206	1,084,861	12,984	1,421,571

The amount of short-term funds and deposits and placements with banks and other financial institutions, financial assets and investment portfolios, other assets and derivative assets that are past due but not impaired is not material.

\* Placements with banks and other financial institutions with no ratings mainly comprise placements with BNM.

^ Comprises securities purchased under resale agreements with local financial institutions.

# Securities with no ratings consist of government securities.



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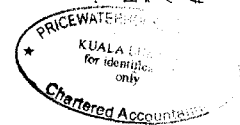
**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**

**45 Financial instruments (continued)**

- (d) Credit risk (continued)  
(iii) Credit quality (continued)  
(b) Other financial assets (continued)

Analysis of other financial assets by rating agency designation (where applicable) as at 30 June 2014, based on Moody's ratings or its equivalent are as follows:

The Bank 2014	Short-term funds and deposits and placements with banks and other financial institutions * RM'000	Securities purchased under resale agreements ^ RM'000	Financial assets held-for- trading # RM'000	Financial investments available- for-sale # RM'000	Financial investments held-to- maturity # RM'000	Other assets RM'000	Amount due from subsidiaries RM'000	Derivative assets RM'000
Neither past due nor impaired								
AAA to AA3	1,162,406	-	216,128	4,255,497	81,064	-	-	129,462
A1 to A3	6,371,128	-	379,899	2,607,428	-	-	-	322,464
Baa1 to Baa3	326,467	-	-	213,756	-	-	-	36,184
P1 to P3	-	-	10,983	-	-	-	-	-
Non-rated	8,893,927	2,717,021	9,521,941	4,239,460	7,694,691	374,836	11,437	182,215
	16,733,928	2,717,021	10,128,951	11,316,141	7,775,755	374,836	11,437	670,325



The amount of short-term funds and deposits and placements with banks and other financial institutions, financial assets and investment portfolios, other assets and derivative assets that are past due but not impaired is not material.  
\* Placements with banks and other financial institutions with no ratings mainly comprise placements with BNM.  
^ Comprises securities purchased under resale agreements with local financial institutions.  
# Securities with no ratings consist of government securities.

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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)**


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**Hong Leong Bank Berhad**

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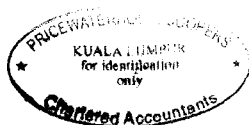
**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**

45 *Financial instruments (continued)*(d) *Credit risk (continued)*

## (iv) Collateral and other credit enhancements obtained

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Properties	<u>93,521,160</u>	<u>79,852,505</u>	<u>78,717,339</u>	<u>67,444,612</u>

Repossessed properties are made available-for-sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness. The Group and the Bank generally do not occupy the premises repossessed for its business use.



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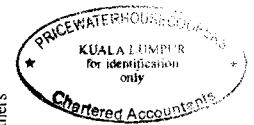
**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**

**45 Financial instruments (continued)**

**(d) Credit risk (continued)**

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets are set out below:

	The Group 2015										
	Short-term funds and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for- trading RM'000	Financial investments available- for-sale RM'000	Financial investments held-to- maturity RM'000	Loans, advances and financing RM'000	Other assets RM'000	Derivative assets RM'000	Total credit risk exposures RM'000	Undrawn loan commitments and other facilities RM'000	Guarantees, endorsements and other contingent items RM'000
Agriculture	-	-	-	85,860	-	2,844,898	-	-	2,930,758	984,783	1,738
Mining and quarrying	-	-	-	76,322	-	358,799	-	-	435,121	184,917	-
Manufacturing	-	-	5,036	117,185	-	8,859,936	-	-	8,982,157	6,240,230	180,134
Electricity, gas and water	-	-	55,390	1,509,380	-	152,818	-	-	1,717,588	124,169	-
Construction	-	-	-	664,990	-	2,045,909	-	-	2,710,899	1,622,774	10,362
Wholesale and retail	-	-	-	-	-	9,691,885	-	-	9,691,885	5,623,431	175,792
Transport, storage and communications	-	-	20,432	583,859	-	1,754,451	-	-	2,358,742	575,145	13,217
Finance, insurance, real estate and business services	7,083,332	-	5,913,920	8,416,254	32,792	10,556,583	1,189,857	1,424,929	34,617,667	4,121,785	225,437
Government and government agencies	1,621,311	12,163,252	1,131,370	4,961,943	9,862,754	-	14,012	-	29,754,642	-	650
Education, health and others	-	-	-	-	-	1,150,107	-	-	1,150,107	697,050	562
Household	-	-	-	-	-	73,352,548	-	-	73,352,548	22,202,262	4,449
Others	-	-	1,892	274,095	-	1,356,175	-	-	1,632,162	471,199	-
	8,704,643	12,163,252	7,128,040	16,689,888	9,895,546	112,124,109	1,203,869	1,424,929	169,334,276	42,847,745	612,341



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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)**

**45 Financial instruments (continued)**

**(d) Credit risk (continued)**

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets are set out below. (continued)

	The Group 2014										
	Short-term funds and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for- trading RM'000	Financial investments available- for-sale RM'000	Financial investments held-for- maturity RM'000	Loans, advances and financing RM'000	Other assets RM'000	Derivative assets RM'000	Total credit risk exposures RM'000	Undrawn loan commitments and other facilities RM'000	Guarantees, endorsements and other contingent items RM'000
Agriculture	-	-	-	85,774	-	2,621,329	-	-	2,707,103	861,764	3,370
Mining and quarrying	-	-	-	-	-	417,630	-	-	417,630	160,837	93
Manufacturing	-	-	-	53,463	-	8,517,950	-	-	8,571,413	5,726,186	160,628
Electricity, gas and water	-	-	20,034	1,235,769	-	244,501	-	-	1,500,304	99,216	15,097
Construction	-	-	25,026	646,392	-	1,855,121	-	-	2,526,539	1,332,313	10,152
Wholesale and retail	-	-	-	-	-	9,393,081	-	-	9,393,081	5,419,058	221,979
Transport, storage and communications	-	-	-	263,686	-	1,632,185	-	-	1,895,871	577,140	14,082
Finance, insurance, real estate and business services	8,567,353	-	9,614,795	6,579,724	166,923	10,139,448	404,356	687,441	36,160,040	4,163,916	305,637
Government and government agencies	9,246,109	2,717,021	1,650,738	5,342,454	8,697,110	-	15,145	-	27,668,577	-	645
Education, health and others	-	-	-	-	-	901,260	-	-	901,260	558,456	34,078
Household	-	-	-	-	-	65,442,891	-	-	65,442,891	21,384,602	5,485
Others	17,813,462	2,717,021	11,310,593	4,260,926	8,864,033	102,579,076	423,738	687,441	158,636,290	40,684,132	771,246



**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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(Incorporated in Malaysia)

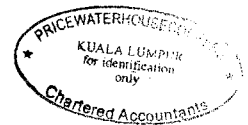
**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**

**45 Financial instruments (continued)**

**(d) Credit risk (continued)**

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets are set out below: (continued)

	The Bank 2015											
	Short-term funds and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for- trading RM'000	Financial investments available- for-sale RM'000	Financial investments held-to- maturity RM'000	Loans, advances and financing RM'000	Other assets RM'000	Amount due from subsidiaries RM'000	Derivative assets RM'000	Total credit risk exposures RM'000	Undrawn loan commitments and other facilities RM'000	Guarantees, endorsements and other contingent items RM'000
Agriculture	-	-	-	85,860	-	2,220,238	-	-	-	2,306,098	689,158	1,738
Mining and quarrying	-	-	-	76,322	-	355,353	-	-	-	431,675	181,021	-
Manufacturing	-	-	5,036	90,780	-	8,297,051	-	-	-	8,392,867	5,725,163	178,871
Electricity, gas and water	-	-	55,390	1,225,873	-	93,385	-	-	-	1,374,648	119,209	-
Construction	-	-	-	549,583	-	1,778,983	-	-	-	2,328,566	1,385,905	10,362
Wholesale and retail	-	-	-	-	-	9,166,055	-	-	-	9,166,055	5,337,556	172,004
Transport, storage and communications	-	-	20,432	568,585	-	1,286,499	-	-	-	1,875,516	537,512	13,217
Finance, insurance, real estate and business services	7,761,316	-	6,282,366	7,880,521	521,944	8,994,937	1,070,930	12,984	1,421,571	33,946,569	3,404,342	216,404
Government and government agencies	118,833	12,163,252	755,028	3,019,177	8,042,262	-	13,931	-	-	24,112,483	-	650
Education, health and others	-	-	-	-	-	662,833	-	-	-	662,833	308,268	205
Household	-	-	-	-	-	61,608,692	-	-	-	61,608,692	19,897,001	4,225
Others	-	-	1,892	256,272	-	1,099,467	-	-	-	1,357,631	432,015	-
	7,880,149	12,163,252	7,120,144	13,752,973	8,564,206	95,563,493	1,084,861	12,984	1,421,571	147,563,633	37,717,150	597,676



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

**45 Financial instruments (continued)**

**(d) Credit risk (continued)**

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets are set out below: (continued)

	The Bank 2014											
	Short-term placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for- trading RM'000	Financial investments available- for-sale RM'000	Financial investments held-to- maturity RM'000	Loans, advances and financing RM'000	Other assets RM'000	Amount due from subsidiaries RM'000	Derivative assets RM'000	Total credit risk exposures RM'000	Undrawn loan commitments and other facilities RM'000	Guarantees, endorsements and other contingent items RM'000
Agriculture	-	-	-	85,774	-	2,123,408	-	-	-	2,209,182	769,355	3,370
Mining and quarrying	-	-	-	-	-	412,901	-	-	-	412,901	159,905	93
Manufacturing	-	-	-	27,096	-	7,616,791	-	-	-	7,643,887	5,388,907	160,126
Electricity, gas and water	-	-	20,034	995,325	-	137,729	-	-	-	1,153,088	95,607	15,097
Construction	-	-	25,026	506,516	-	1,633,435	-	-	-	2,164,977	1,243,422	9,952
Wholesale and retail	-	-	-	-	-	8,963,055	-	-	-	8,963,055	5,111,617	221,913
Transport, storage and communications	-	-	-	258,616	-	1,196,075	-	-	-	1,454,691	525,796	14,082
Finance, insurance, real estate and business services	8,369,845	-	9,267,293	6,187,493	702,997	9,095,204	359,767	11,437	670,325	34,664,361	3,536,740	295,108
Government and government agencies	8,384,083	2,717,021	816,598	3,224,528	7,072,758	-	15,069	-	-	22,230,057	-	645
Education, health and others	-	-	-	-	-	664,849	-	-	-	664,849	192,002	33,721
Household	-	-	-	-	-	54,809,607	-	-	-	54,809,607	19,481,430	5,485
Others	-	-	-	30,793	-	1,220,395	-	-	-	1,251,188	355,416	-
	16,753,928	2,717,021	10,128,951	11,316,141	7,775,755	87,873,449	374,836	11,437	670,325	137,621,843	36,860,197	759,592





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**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**
**46 Fair value of financial instruments**

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

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

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

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

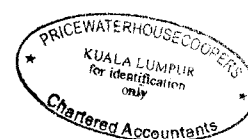
- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable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

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

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

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

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



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

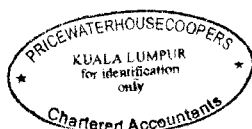
**46 Fair value of financial instruments (continued)**

**(a) Determination of fair value and fair value hierarchy (continued)**

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

	The Group 2015 Fair value			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<i>Recurring fair value measurements</i>				
<b>Financial Assets</b>				
Financial assets held-for-trading				
- Money market instrument	-	6,534,085	-	6,534,085
- Quoted securities	379,216	-	-	379,216
- Unquoted securities	-	218,133	-	218,133
Financial investments available-for-sale				
- Money market instrument	-	5,149,771	-	5,149,771
- Quoted securities	9,055,856	-	-	9,055,856
- Unquoted securities	-	5,706,839	394,887	6,101,726
Derivative financial instruments	42	1,417,935	6,952	1,424,929
	<u>9,435,114</u>	<u>19,026,763</u>	<u>401,839</u>	<u>28,863,716</u>
<b>Financial Liability</b>				
Derivative financial instruments	<u>2,959</u>	<u>1,277,815</u>	<u>6,952</u>	<u>1,287,726</u>

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (2014: RM Nil).



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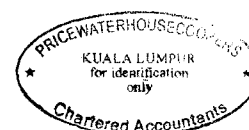
**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**

**46 Fair value of financial instruments (continued)**

**(a) Determination of fair value and fair value hierarchy (continued)**

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

	The Group 2014 Fair value			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<i>Recurring fair value measurements</i>				
<b>Financial Assets</b>				
Financial assets held-for-trading				
- Money market instrument	-	10,737,861	-	10,737,861
- Quoted securities	247,058	-	-	247,058
- Unquoted securities	-	329,557	-	329,557
Financial investments available-for-sale				
- Money market instrument	-	6,004,809	-	6,004,809
- Quoted securities	6,000,978	-	-	6,000,978
- Unquoted securities	-	4,304,106	367,316	4,671,422
Derivative financial instruments	1,417	686,024	-	687,441
	<u>6,249,453</u>	<u>22,062,357</u>	<u>367,316</u>	<u>28,679,126</u>
<b>Financial Liability</b>				
Derivative financial instruments	13,745	776,670	-	790,415
	<u>13,745</u>	<u>776,670</u>	<u>-</u>	<u>790,415</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)**

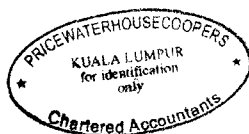
**46 Fair value of financial instruments (continued)**

**(a) Determination of fair value and fair value hierarchy (continued)**

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

	The Bank 2015 Fair value			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<i>Recurring fair value measurements</i>				
<b>Financial Assets</b>				
Financial assets held-for-trading				
- Money market instrument	-	6,526,189	-	6,526,189
- Quoted securities	379,216	-	-	379,216
- Unquoted securities	-	218,133	-	218,133
Financial investments available-for-sale				
- Money market instrument	-	3,066,263	-	3,066,263
- Quoted securities	8,896,320	-	-	8,896,320
- Unquoted securities	-	5,012,968	394,887	5,407,855
Derivative financial instruments	42	1,414,577	6,952	1,421,571
	<u>9,275,578</u>	<u>16,238,130</u>	<u>401,839</u>	<u>25,915,547</u>
<b>Financial Liability</b>				
Derivative financial instruments	<u>2,959</u>	<u>1,259,983</u>	<u>6,952</u>	<u>1,269,894</u>

The Bank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (2014: RM Nil).



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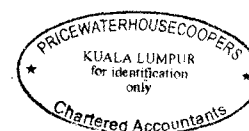
**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**

**46 Fair value of financial instruments (continued)**

**(a) Determination of fair value and fair value hierarchy (continued)**

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

	The Bank 2014 Fair value			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<i>Recurring fair value measurements</i>				
<b>Financial Assets</b>				
Financial assets held-for-trading				
- Money market instrument	-	9,556,219	-	9,556,219
- Quoted securities	247,058	-	-	247,058
- Unquoted securities	-	329,557	-	329,557
Financial investments available-for-sale				
- Money market instrument	-	3,816,889	-	3,816,889
- Quoted securities	5,907,161	-	-	5,907,161
- Unquoted securities	-	3,641,058	367,269	4,008,327
Derivative financial instruments	1,417	668,908	-	670,325
	<u>6,155,636</u>	<u>18,012,631</u>	<u>367,269</u>	<u>24,535,536</u>
<b>Financial Liability</b>				
Derivative financial instruments	13,745	746,661	-	760,406
	<u>13,745</u>	<u>746,661</u>	<u>-</u>	<u>760,406</u>



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**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**
**46 Fair value of financial instruments (continued)**
**(a) Determination of fair value and fair value hierarchy (continued)**

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

The Group 2015	Financial Assets		Financial Liability
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
At 1 July	367,316	-	-
Total losses recognised in statements of income	-	(480)	(480)
Net fair value changes recognised in other comprehensive income	27,596	-	-
Purchases	-	7,432	7,432
Disposal	(25)	-	-
At 30 June	<u>394,887</u>	<u>6,952</u>	<u>6,952</u>
Total losses recognised in statements of income relating to assets/liability held on 30 June 2015	-	(480)	(480)
Total gain recognised in other comprehensive income relating to assets held on 30 June 2015	<u>27,596</u>	-	-
<b>The Bank 2015</b>	<b>Financial Assets</b>	<b>Derivative</b>	<b>Financial Liability</b>
	<b>Financial investments available-for-sale RM'000</b>	<b>financial instruments RM'000</b>	<b>Derivative financial instruments RM'000</b>
At 1 July	367,269	-	-
Total losses recognised in statements of income	-	(480)	(480)
Net fair value changes recognised in other comprehensive income	27,618	-	-
Purchases	-	7,432	7,432
At 30 June	<u>394,887</u>	<u>6,952</u>	<u>6,952</u>
Total losses recognised in statements of income relating to assets/liability held on 30 June 2015	-	(480)	(480)
Total gain recognised in other comprehensive income relating to assets held on 30 June 2015	<u>27,618</u>	-	-



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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)**


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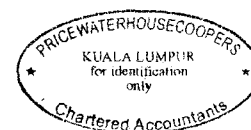
**Hong Leong Bank Berhad**

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**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**
**46 Fair value of financial instruments (continued)****(a) Determination of fair value and fair value hierarchy (continued)**

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, is as below: (continued)

2014	Financial investments available-for-sale	
	The Group RM'000	The Bank RM'000
At 1 July	329,963	329,896
Net fair value changes recognised in other comprehensive income	37,353	37,373
At 30 June	<u>367,316</u>	<u>367,269</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2014	<u>37,353</u>	<u>37,373</u>



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**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**
**46 Fair value of financial instruments (continued)**
**(a) Determination of fair value and fair value hierarchy (continued)**
**Quantitative information about fair value measurements using significant unobservable inputs (Level 3)**

Description	The Group and the Bank		Valuation technique(s)	Unobservable input	Range (weighted average)	Inter-relationship between significant unobservable inputs and fair value measurement
	Fair value assets RM'000	Fair value liabilities RM'000				
<b>Financial investments available-for-sale</b>						
Unquoted shares	394,887	-	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
<b>Derivative financial instruments</b>						
Equity derivatives			Monte Carlo Simulation	Equity volatility	+18% to +43%	Higher volatility, would generally result in higher fair valuation for long volatility positions and vice versa
	6,952	(6,952)				
			Monte Carlo Simulation	Equity / FX Correlation between underlyers	-43% to +96%	An increase in correlation, would generally result in a higher fair value measurement and vice versa

**Sensitivity analysis for Level 3**

The Group and the Bank 2015	Type of unobservable input	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to: Profit or loss	
			Favourable changes RM'000	Unfavourable changes RM'000
Derivative financial instruments - Equity derivatives	Equity volatility	+10%	-	-
		-10%	-	-
	Equity / FX Correlation	+10%	-	-
		-10%	-	-
The Group and the Bank 2014	Type of unobservable input	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to: Profit or loss	
			Favourable changes RM'000	Unfavourable changes RM'000
Derivative financial instruments - Equity derivatives	Equity volatility	+10%	-	-
		-10%	-	-
	Equity / FX Correlation	+10%	-	-
		-10%	-	-





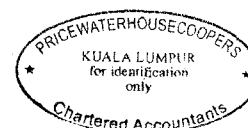
**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**
**Hong Leong Bank Berhad**

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**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**
**46 Fair value of financial instruments (continued)**
**(b) Fair values of financial instruments not carried at fair value**

Set out below is the comparison of the carrying amounts and fair values of the financial instruments of the Group and the Bank which are not carried at fair value in the financial instruments, but for which fair value is disclosed. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values:

The Group	2015		2014	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Financial Assets</b>				
Financial investments held-to-maturity				
- Money market	9,849,757	9,803,584	8,797,282	8,712,927
- Unquoted securities	100,324	99,654	119,286	116,069
Loans, advances and financing	112,124,109	112,219,078	102,579,076	102,964,206
	<u>122,074,190</u>	<u>122,122,316</u>	<u>111,495,644</u>	<u>111,793,202</u>
<b>Financial Liabilities</b>				
Deposits from customers	140,276,148	140,618,032	130,252,337	130,571,147
Senior bonds	2,286,380	2,316,079	1,936,207	1,991,332
Tier 2 subordinated bonds	4,619,812	4,611,365	4,868,353	4,838,605
Non-innovative Tier 1 stapled securities	1,410,869	1,420,865	1,410,252	1,430,658
Innovative Tier 1 capital securities	530,223	579,348	541,767	589,894
	<u>149,123,432</u>	<u>149,545,689</u>	<u>139,008,916</u>	<u>139,421,636</u>
<b>The Bank</b>				
<b>Financial Assets</b>				
Financial investments held-to-maturity				
- Money market	8,564,206	8,520,382	7,775,755	7,699,606
- Unquoted securities	54,535	54,481	52,535	50,062
Loans, advances and financing	95,563,493	95,612,109	87,873,449	87,936,497
	<u>104,182,234</u>	<u>104,186,972</u>	<u>95,701,739</u>	<u>95,686,165</u>
<b>Financial Liabilities</b>				
Deposits from customers	122,337,044	122,650,084	114,098,835	114,386,876
Senior bonds	2,286,380	2,316,079	1,936,207	1,991,332
Tier 2 subordinated bonds	4,219,507	4,214,165	4,468,275	4,438,525
Non-innovative Tier 1 stapled securities	1,410,869	1,420,865	1,410,252	1,430,658
Innovative Tier 1 capital securities	530,223	579,348	541,767	589,894
	<u>130,784,023</u>	<u>131,180,541</u>	<u>122,455,336</u>	<u>122,837,285</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**

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**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**
**46 Fair value of financial instruments (continued)**
**(b) Fair values of financial instruments not carried at fair value (continued)**

The following table analyses within the fair value hierarchy of the Group's and the Bank's assets and liabilities not measured at fair value at 30 June 2015 but for which fair value is disclosed:

	Carrying Amount RM'000	The Group 2015 Fair Value		
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
<b><u>Financial Assets</u></b>				
Financial investments held-to-maturity				
- Money market	9,849,757	-	9,803,584	-
- Unquoted securities	100,324	-	99,170	484
Loans, advances and financing	112,124,109	-	112,219,078	-
	<u>122,074,190</u>	<u>-</u>	<u>122,121,832</u>	<u>484</u>
<b><u>Financial Liabilities</u></b>				
Deposits from customers	140,276,148	-	140,618,032	-
Senior bonds	2,286,380	-	2,316,079	-
Tier 2 subordinated bonds	4,619,812	-	4,611,365	-
Non-innovative Tier 1 stapled securities	1,410,869	-	1,420,865	-
Innovative Tier 1 capital securities	530,223	-	579,348	-
	<u>149,123,432</u>	<u>-</u>	<u>149,545,689</u>	<u>-</u>
<b><u>Financial Assets</u></b>				
Financial investments held-to-maturity				
- Money market	8,564,206	-	8,520,382	-
- Unquoted securities	54,535	-	53,997	484
Loans, advances and financing	95,563,493	-	95,612,109	-
	<u>104,182,234</u>	<u>-</u>	<u>104,186,488</u>	<u>484</u>
<b><u>Financial Liabilities</u></b>				
Deposits from customers	122,337,044	-	122,650,084	-
Senior bonds	2,286,380	-	2,316,079	-
Tier 2 subordinated bonds	4,219,507	-	4,214,165	-
Non-innovative Tier 1 stapled securities	1,410,869	-	1,420,865	-
Innovative Tier 1 capital securities	530,223	-	579,348	-
	<u>130,784,023</u>	<u>-</u>	<u>131,180,541</u>	<u>-</u>



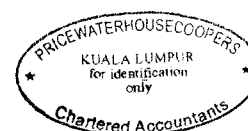
**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**
**Hong Leong Bank Berhad**

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**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**
**46 Fair value of financial instruments (continued)**
**(b) Fair values of financial instruments not carried at fair value (continued)**

The following table analyses within the fair value hierarchy of the Group's and the Bank's assets and liabilities not measured at fair value at 30 June 2014 but for which fair value is disclosed:

	Carrying Amount RM'000	The Group 2014 Fair Value		
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
<b>Financial Assets</b>				
Financial investments held-to-maturity				
- Money market	8,797,282	-	8,712,927	-
- Unquoted securities	119,286	-	115,581	488
Loans, advances and financing	102,579,076	-	102,964,206	-
	<u>111,495,644</u>	<u>-</u>	<u>111,792,714</u>	<u>488</u>
<b>Financial Liabilities</b>				
Deposits from customers	130,252,337	-	130,571,147	-
Senior bonds	1,936,207	-	1,991,332	-
Tier 2 subordinated bonds	4,868,353	-	4,838,605	-
Non-innovative Tier 1 stapled securities	1,410,252	-	1,430,658	-
Innovative Tier 1 capital securities	541,767	-	589,894	-
	<u>139,008,916</u>	<u>-</u>	<u>139,421,636</u>	<u>-</u>
<b>The Bank 2014</b>				
	Carrying Amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
<b>Financial Assets</b>				
Financial investments held-to-maturity				
- Money market	7,775,755	-	7,699,606	-
- Unquoted securities	52,535	-	49,574	488
Loans, advances and financing	87,873,449	-	87,936,497	-
	<u>95,701,739</u>	<u>-</u>	<u>95,685,677</u>	<u>488</u>
<b>Financial Liabilities</b>				
Deposits from customers	114,098,835	-	114,386,876	-
Senior bonds	1,936,207	-	1,991,332	-
Tier 2 subordinated bonds	4,468,275	-	4,438,525	-
Non-innovative Tier 1 stapled securities	1,410,252	-	1,430,658	-
Innovative Tier 1 capital securities	541,767	-	589,894	-
	<u>122,455,336</u>	<u>-</u>	<u>122,837,285</u>	<u>-</u>



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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)**


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**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**
**46 Fair value of financial instruments (continued)****(c) Fair value methodologies and assumptions****Short-term funds and placements with financial institutions**

For short-term funds and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For short-term funds and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

**Securities purchased under resale agreements**

The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities of six months and above, the estimated fair values are based on discounted cash flows using market rates for the remaining term to maturity.

**Securities held at fair value through profit or loss, available-for-sale and held-to-maturity**

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Bank establish the fair value by using valuation techniques.

**Loans, advances and financing**

For floating rate loans, the carrying value is generally a reasonable estimate of fair value. For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

**Deposits from customers**

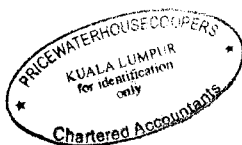
For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For deposit with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

**Deposits and placements of banks and other financial institutions, bills and acceptances payable**

The estimated fair values of deposits and placements of banks and other financial institutions, bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturities.

**Subordinated obligations, senior bonds, stapled securities and capital securities**

The fair value of subordinated obligations, senior bonds, stapled securities and capital securities are based on quoted market prices where available.



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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)**

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**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)****46 Fair value of financial instruments (continued)****(c) Fair value methodologies and assumptions (continued)****Other financial assets and liabilities**

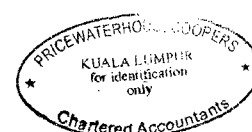
The carrying value less any estimated allowance for financial assets and liabilities included in "other assets and liabilities" are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

**Credit related commitment and contingencies**

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

**Foreign exchange and interest rate related contracts**

The fair values of foreign exchange and interest rate related contracts are the estimated amounts the Group or the Bank would receive or pay to terminate the contracts at the statements of financial position date.



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

**47 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

	The Group							The Bank						
	Gross amount of recognised financial liabilities in the statements of financial position	Gross amount of recognised financial assets/liabilities in the statements of financial position	Net amount set off in the financial position	Net amount set off in the financial position	Net amount set off in the financial position	Net amount set off in the financial position	Net amount set off in the financial position	Gross amount of recognised financial liabilities in the statements of financial position	Gross amount of recognised financial assets/liabilities in the statements of financial position	Net amount set off in the financial position	Net amount set off in the financial position	Net amount set off in the financial position	Net amount set off in the financial position	
	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	
Financial assets														
Derivatives	1,467,127	1,424,929	(42,198)	(42,198)	592,467	(7,670)	1,463,769	1,463,769	(42,198)	1,421,571	(678,014)	(148,534)	595,023	
Reverse repurchase agreements	12,670,084	12,163,252	(506,832)	(506,832)	(7,670)	12,670,084	12,670,084	(506,832)	(506,832)	12,163,252	(12,170,922)	-	(7,670)	
Total	14,137,211	13,588,181	(549,030)	(549,030)	584,797	14,133,853	14,133,853	(549,030)	(549,030)	13,584,823	(12,848,936)	(148,534)	587,353	
Financial liabilities														
Derivatives	1,329,924	1,287,726	(42,198)	(42,198)	203,030	1,312,092	1,312,092	(42,198)	(42,198)	1,269,894	(678,014)	(400,768)	191,112	
Repurchase agreements	4,198,170	3,691,338	(506,832)	(506,832)	1,073,453	4,198,170	4,198,170	(506,832)	(506,832)	3,691,338	(2,532,086)	(85,799)	1,073,453	
Total	5,528,094	4,979,064	(549,030)	(549,030)	1,276,483	5,510,262	5,510,262	(549,030)	(549,030)	4,961,232	(3,210,100)	(486,567)	1,264,565	

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**

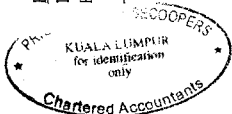
Company no: 97141-X  
(Incorporated in Malaysia)

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

**47 Offsetting of financial assets and financial liabilities (continued)**

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows: (continued)

	The Group				The Bank				
	Gross amount of recognised financial assets/liabilities in the statements of financial position RM'000	Gross amount set off in the statements of financial position RM'000	Net amount presented in the statements of financial position RM'000	Values of the financial instruments RM'000	Gross amount of recognised financial assets/liabilities in the statements of financial position RM'000	Gross amount set off in the statements of financial position RM'000	Net amount presented in the statements of financial position RM'000	Values of the financial instruments RM'000	Related amount not set off in the statements of financial position RM'000
30 June 2014									
Financial assets									
Derivatives	778,876	(91,435)	687,441	(440,412)	761,760	(91,435)	670,325	(441,343)	205,935
Reverse repurchase agreements	3,526,967	(809,946)	2,717,021	(2,717,021)	3,526,967	(809,946)	2,717,021	(2,717,021)	-
Total	4,305,843	(901,381)	3,404,462	(3,157,433)	4,288,727	(901,381)	3,387,346	(3,158,364)	205,935
Financial liabilities									
Derivatives	881,850	(91,435)	790,415	(440,412)	851,841	(91,435)	760,406	(441,343)	126,417
Repurchase agreements	4,926,834	(809,946)	4,116,888	(4,104,520)	4,926,834	(809,946)	4,116,888	(4,104,520)	758
Total	5,808,684	(901,381)	4,907,303	(4,544,932)	5,778,675	(901,381)	4,877,294	(4,545,863)	(204,256)



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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)**


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**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)**
**48 Capital adequacy**

The Group's and the Bank's regulatory capital is governed by BNM Capital Adequacy Framework guidelines. With effect from 1 January 2013, the capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework issued on 28 November 2012. The Framework sets out the approach for computing the regulatory capital adequacy ratios, as well as the levels of the ratios at which banking institutions are required to operate. The Framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. In line with the transitional arrangements under the BNM's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for common equity Tier 1 (CET 1) capital ratio and Tier 1 capital ratio are 4.50% (2014: 4.00%) and 6.00% (2014: 5.50%) respectively for year 2015. The minimum regulatory capital adequacy requirement remains at 8.00% (2014: 8.00%) for total capital ratio.

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

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

	The Group		The Bank	
	2015	2014	2015	2014
<b>Before deducting proposed dividends</b>				
CET I capital ratio	11.147%	10.903%	9.861%	10.172%
Tier I capital ratio	12.297%	12.306%	11.179%	11.777%
Total capital ratio	<u>14.715%</u>	<u>15.072%</u>	<u>14.226%</u>	<u>14.657%</u>
<b>After deducting proposed dividends</b>				
CET I capital ratio	10.750%	10.480%	9.406%	9.689%
Tier I capital ratio	11.900%	11.883%	10.724%	11.294%
Total capital ratio	<u>14.318%</u>	<u>14.649%</u>	<u>13.771%</u>	<u>14.173%</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**

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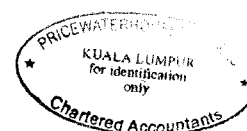
**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**
**48 Capital adequacy (continued)**

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

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>CET I capital</b>				
Paid-up share capital	1,879,909	1,879,909	1,879,909	1,879,909
Share premium	2,872,183	2,832,383	2,872,183	2,832,383
Retained profits	7,819,514	7,189,104	5,653,204	5,375,070
Other reserves	4,363,914	3,171,817	3,219,396	2,773,797
Less: Treasury shares	(648,588)	(645,579)	(648,588)	(645,579)
Less: Other intangible assets	(318,107)	(347,791)	(302,801)	(335,319)
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)
Less : Investment in subsidiary companies/ associated company/joint venture	(1,242,626)	(430,676)	(952,672)	(475,075)
<b>Total CET I capital</b>	<b>12,894,887</b>	<b>11,817,855</b>	<b>9,949,084</b>	<b>9,633,639</b>
<b>Additional Tier I capital</b>				
Non-innovative Tier I stapled securities	980,000	1,120,000	980,000	1,120,000
Innovative Tier I capital securities	350,000	400,000	350,000	400,000
<b>Total additional Tier I capital</b>	<b>1,330,000</b>	<b>1,520,000</b>	<b>1,330,000</b>	<b>1,520,000</b>
<b>Total Tier I capital</b>	<b>14,224,887</b>	<b>13,337,855</b>	<b>11,279,084</b>	<b>11,153,639</b>
<b>Tier II capital</b>				
Collective assessment allowance ^ and regulatory reserves #	1,109,877	732,980	951,123	639,439
Subordinated bonds	3,552,000	3,988,000	3,552,000	3,988,000
<b>Tier II capital before regulatory adjustments</b>	<b>4,661,877</b>	<b>4,720,980</b>	<b>4,503,123</b>	<b>4,627,439</b>
Less: Regulatory adjustments				
Investment in subsidiary companies	-	-	(815,066)	(1,081,727)
Investment in associated company	(1,786,666)	(1,650,640)	(567,915)	(757,204)
Investment in joint venture	(77,274)	(72,064)	(46,027)	(61,369)
<b>Total Tier II capital</b>	<b>2,797,937</b>	<b>2,998,276</b>	<b>3,074,115</b>	<b>2,727,139</b>
<b>Total capital</b>	<b>17,022,824</b>	<b>16,336,131</b>	<b>14,353,199</b>	<b>13,880,778</b>

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

# Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM388,112,000 (2014: RM NIL) and RM334,138,000 (2014: RM NIL) respectively.



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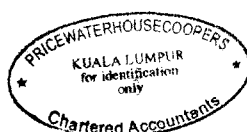
**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**
**48 Capital adequacy (continued)**

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

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Credit risk	105,009,787	96,729,672	91,202,163	84,227,557
Market risk	3,052,311	4,126,372	3,065,215	3,912,418
Operational risk	7,620,076	7,532,731	6,627,632	6,563,115
Total RWA	<u>115,682,174</u>	<u>108,388,775</u>	<u>100,895,010</u>	<u>94,703,090</u>

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

	Hong Leong Islamic Bank Berhad	
	2015	2014
<b>Before deducting proposed dividends</b>		
CET I capital ratio	11.323%	11.829%
Tier 1 capital ratio	11.323%	11.829%
Total capital ratio	<u>15.240%</u>	<u>15.587%</u>
<b>After deducting proposed dividends</b>		
CET I capital ratio	11.253%	11.392%
Tier 1 capital ratio	11.253%	11.392%
Total capital ratio	<u>15.170%</u>	<u>15.150%</u>



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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)**

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**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)****49 Segment reporting****(i) Business segment reporting**

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

The various business segments are described below:

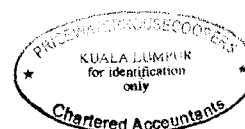
Personal Financial Services focuses mainly on servicing individual customers and small businesses. Products and services that are extended to customers include mortgages, credit cards, hire purchase and others.

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

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

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

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



**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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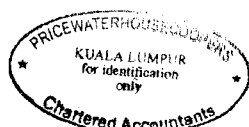
**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**
**49 Segment reporting (continued)**
**(i) Business segment reporting (continued)**

The Group	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Others and Inter-Segment Elimination RM'000	Total RM'000
<b>2015</b>						
Revenue						
- external	2,539,832	487,640	1,272,474	191,446	(424,444)	4,066,948
- inter-segment	(163,238)	409,241	(775,398)	-	529,395	-
Segment revenue	2,376,594	896,881	497,076	191,446	104,951	4,066,948
Overhead expenses	(1,238,717)	(253,241)	(95,597)	(172,170)	(54,134)	(1,813,859)
of which:						
Depreciation of property and equipment	64,489	3,266	11,773	4,203	(12,912)	70,819
Amortisation of intangible assets	9,489	2,626	851	1,999	54,522	69,487
(Allowance for)/write-back of allowance for impairment losses on loans, advances and financing	(52,896)	120,461	-	(15,636)	-	51,929
Write-back of impairment losses	-	21,321	1,751	390	-	23,462
Share of results of associated company	-	-	-	401,277	-	401,277
Share of results in joint venture	-	-	-	16,401	-	16,401
Segment results	1,084,981	785,422	403,230	421,708	50,817	2,746,158
Taxation						(512,971)
Net profit for the financial year						2,233,187
Segment assets	77,317,312	31,191,829	56,337,222	10,234,054	-	175,080,417
Unallocated assets						8,939,318
<b>Total assets</b>						<b>184,019,735</b>
Segment liabilities	75,578,408	44,306,974	30,648,424	9,459,977	-	159,993,783
Unallocated liabilities						7,236,360
<b>Total liabilities</b>						<b>167,230,143</b>
<b>Other significant segment items</b>						
Capital expenditure	62,040	7,038	8,821	20,264	134,666	232,829

Inter-segment transfer is based on internally computed cost of funds.

Note:

- Total segment revenue comprises net interest income, income from Islamic Banking business and non-interest income.
- Unallocated assets and liabilities are not directly attributed to the business segments and cannot be allocated on a reasonable basis.



**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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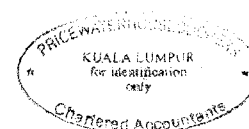
**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**
**49 Segment reporting (continued)**
**(i) Business segment reporting (continued)**

The Group	Personal Financial Services RM'000	Business & Corporate & Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Others and Inter-Segment Elimination RM'000	Total RM'000
<b>2014</b>						
Revenue						
- external	2,385,398	531,314	1,274,900	185,320	(337,873)	4,039,059
- inter-segment	14,763	451,346	(804,081)	-	337,972	-
Segment revenue	2,400,161	982,660	470,819	185,320	99	4,039,059
Overhead expenses of which:	(1,236,130)	(239,902)	(105,877)	(169,148)	(41,156)	(1,792,213)
Depreciation of property and equipment	85,217	3,597	13,666	7,564	149	110,193
Amortisation of intangible assets	52,554	16,238	25,723	2,987	-	97,502
(Allowance for)/write-back of allowance for impairment losses on loans, advances and financing	(83,743)	17,604	-	14,074	-	(52,065)
(Allowance for)/write-back of impairment losses	-	35,391	6,178	523	(2,277)	39,815
Share of results of associated company	-	-	-	368,490	-	368,490
Share of results in joint venture	-	-	-	10,135	-	10,135
Segment results	1,080,288	795,753	371,120	409,394	(43,334)	2,613,221
Taxation						(510,951)
Net profit for the financial year						<u>2,102,270</u>
Segment assets	70,102,501	30,110,260	53,685,303	8,198,762	-	162,096,826
Unallocated assets						8,253,977
<b>Total assets</b>						<u>170,350,803</u>
Segment liabilities	70,380,921	36,954,364	32,443,624	7,440,322	-	147,219,231
Unallocated liabilities						8,601,394
<b>Total liabilities</b>						<u>155,820,625</u>
<b>Other significant segment items</b>						
Capital expenditure	84,223	10,109	3,419	16,923	75,526	190,200

Inter-segment transfer is based on internally computed cost of funds.

Note:

- Total segment revenue comprises net interest income, income from Islamic Banking business and non-interest income.
- Unallocated assets and liabilities are not directly attributed to the business segments and cannot be allocated on a reasonable basis.



**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)**
**49 Segment reporting (continued)**
**(ii) Geographical segment reporting**

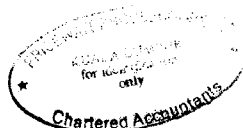
The Group operates in two main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the primary business segments.
- Overseas operations, which includes branch, subsidiary, associate and joint venture operations in Singapore, Hong Kong, China, Vietnam and Cambodia. The overseas operations are mainly in commercial banking and treasury business.

	Revenue RM'000	Total assets RM'000	Total liabilities RM'000	Capital expenditure RM'000
<b>The Group</b>				
<b>2015</b>				
Malaysia	3,875,502	173,785,681	157,770,166	212,565
Overseas operations	191,446	10,234,054	9,459,977	20,264
	<b>4,066,948</b>	<b>184,019,735</b>	<b>167,230,143</b>	<b>232,829</b>
<b>2014</b>				
Malaysia	3,857,554	162,161,354	148,347,919	173,277
Overseas operations	181,505	8,189,449	7,472,706	16,923
	<b>4,039,059</b>	<b>170,350,803</b>	<b>155,820,625</b>	<b>190,200</b>

**50 Significant events during the financial year**

- (a) On 2 December 2014, the Bank announced that it had fully redeemed the RM250.0 million 5.75% Subordinated MTNs. The RM250.0 million Subordinated MTNs were previously issued by Promino Sdn Bhd on 2 December 2009, and were vested to the Bank effective 1 July 2011.
- (b) Pursuant to Section 168(3) of the Companies Act 1965, the Companies Commission of Malaysia had on 2 June 2015 granted its approval for HLBVN, a wholly-owned subsidiary of the Bank incorporated in Vietnam, to have a different financial year end from its holding company. The financial year end of HLBVN is 31 December as required under the Law on Credit Institutions of Vietnam.
- (c) Pursuant to Section 168(3) of the Companies Act 1965, the Companies Commission of Malaysia had on 2 June 2015 granted its approval for HLBCAM, a wholly-owned subsidiary of the Bank incorporated in Cambodia, to have a different financial year end from its holding company. The financial year end of HLBCAM is 31 December as required under the Prakas on Annual Audit of Financial Statement of Banks and Financial Institutions issued by the National Bank of Cambodia.
- (d) On 6 April 2015, the Bank announced that it had entered into a sale and purchase agreement with Hong Leong Assurance Berhad ("HLA") in respect of the proposed disposal by the Bank of a parcel of land (the "Land") together with a commercial office building known as Menara Raja Laut erected on the Land to HLA for a cash consideration of RM220,000,000 ("Proposed Disposal"). The Proposed Disposal was completed on 15 June 2015.
- (e) On 7 April 2015, the Bank announced the grant of options to purchase up to an aggregate of 37,550,000 ordinary shares of RM1.00 each in the Bank ("HLB share") at an exercise price of RM14.24 per HLB share to the eligible executives and/or Director of the Bank and its subsidiary on 2 April 2015 pursuant to the Bank's Executive Share Scheme. The options granted are subject to the achievement of certain performance criteria by the option holders over a performance period concluding at the end of the financial year ending 30 June 2018. The achievement of the performance targets and the number of shares (if any) to be vested shall be determined at the end of financial year ending 30 June 2018.



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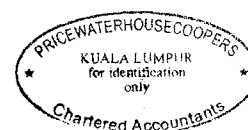
**Notes to the financial statements  
for the financial year ended 30 June 2015 (continued)**
**51 Subsequent events after the financial year**

- (a) On 3 July 2015, the Bank announced that it had on 3 July 2015 entered into a conditional share sale agreement ("SSA") with Hong Leong Real Estate Holdings Sdn Bhd for the proposed acquisition of the entire issued and paid-up share capital of DC Tower Sdn Bhd for an indicative cash consideration of RM189,333,000, subject to adjustments (if any) pursuant to the terms of the SSA.
- (b) On 10 August 2015, the Bank announced that it had on 10 August 2015 fully redeemed the RM700.0 million 4.85% Tier 2 Subordinated Notes issued by the Bank on 10 August 2010.
- (c) On 12 August 2015, Hong Leong Investment Bank Berhad ("HLIB") announced on behalf of the Bank that the Bank proposes to undertake a renounceable rights issue of new ordinary shares of RM1.00 each in the Bank ("Rights Shares") to the Bank's shareholders to raise gross proceeds of up to RM3.0 billion ("Proposed HLB Rights Issue").

The Proposed HLB Rights Issue is conditional upon approvals being obtained from the following:

- (i) BNM, for the increase in the issued and paid-up share capital of the Bank pursuant to the Proposed HLB Rights Issue, which was obtained on 11 August 2015 via its letter dated 10 August 2015;
- (ii) Bursa Securities, for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities;
- (iii) the shareholders of the Bank at an extraordinary general meeting to be convened; and
- (iv) other relevant authorities/parties, if required.

On 10 September 2015, HLIB announced on behalf of HLB that Bursa Securities had, through its letter dated 10 September 2015, resolved to approve the listing of and quotation for up to 399,800,000 Rights Shares on the Main Market of Bursa Securities.



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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)**
**52 Equity compensation benefits****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.

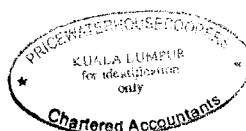
The main features of the ESOS 2006/2016 are, inter alia, as follows:

1. Eligible executives are persons as defined by the ESOS 2006/2016 Bye-Laws.
2. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Bank in a general meeting. The Board, as defined by the ESOS 2006/2016 Bye-Laws, may from time to time at its discretion select and identify suitable eligible executives to be offered options.
3. 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.
4. The ESOS 2006/2016 shall be in force for a period of ten (10) years from 23 January 2006.
5. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Bank preceding the Date of Offer as defined by the ESOS 2006/2016 Bye-Laws, and shall in no event be less than the par value of the shares of the Bank.
6. The options granted to an option holder under the ESOS 2006/2016 is exercisable by the option holder only during his employment with the HLB Group and upon meeting the vesting conditions of each of the ESOS plan as stated in the following pages, subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESOS 2006/2016.
7. The exercise of the options may, at the absolute discretion of the Board, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESOS 2006/2016; or a combination of both new shares and existing shares.

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.





**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)**

**52 Equity compensation benefits (continued)**

**Executive Share Option Scheme and Executive Share Scheme (continued)**

(a) ESOS 2006/2016 (continued)

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

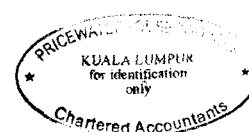
The ordinary share options of the Bank granted under the ESOS 2006/2016 that are still outstanding for the financial years ended 30 June 2015 and 30 June 2014 are as follows:

- (i) 21,800,000 share options at an exercise price of RM6.05 (exercise price adjusted to RM5.75 for rights issue):

2015		As at	Adjustment				Outstanding	Exercisable
Grant date	Expiry date	1-Jul-14	for Rights Issue	Expired	Forfeited	Exercised	As at 30-Jun-15	As at 30-Jun-15
30 April 2008	September 2014	265,156	-	-	-	(265,156)	-	-
2014		As at	Adjustment				Outstanding	Exercisable
Grant date	Expiry date	1-Jul-13	for Rights Issue	Expired	Forfeited	Exercised	As at 30-Jun-14	As at 30-Jun-14
30 April 2008	September 2013	632,772	-	-	-	(632,772)	-	-
30 April 2008	September 2014	1,090,082	-	-	-	(824,926)	265,156	265,156
		1,722,854	-	-	-	(1,457,698)	265,156	265,156

The vesting conditions for the above share options are based on the achievement of pre-agreed key performance indicators and milestones, and service (time) based periods. The vesting period of the options range from 2 to 6 years from grant date.

The weighted average share price at the time of exercise was RM14.60 (2014: RM14.09). The weighted average remaining contractual life for the share is Nil (2014: 0.25 years).



**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)**
**52 Equity compensation benefits (continued)**
**Executive Share Option Scheme and Executive Share Scheme (continued)**
**(a) ESOS 2006/2016 (continued)**

The ordinary share options of the Bank granted under the ESOS 2006/2016 that are still outstanding for the financial years ended 30 June 2015 and 30 June 2014 are as follows: (continued)

**(ii) 12,835,000 share options at an exercise price of RM5.99 (exercise price adjusted to RM5.69 for rights issue):**

2015		As at	Adjustment for				Outstanding	Exercisable
Grant date	Expiry date	1-Jul-14	Rights Issue	Expired	Forfeited	Exercised	As at 30-Jun-15	As at 30-Jun-15
10 June 2008	September 2014	71,928	-	(39)	-	(71,889)	-	-
2014		As at	Adjustment for				Outstanding	Exercisable
Grant date	Expiry date	1-Jul-13	Rights Issue	Expired	Forfeited	Exercised	As at 30-Jun-14	As at 30-Jun-14
10 June 2008	September 2013	173,630	-	(42)	-	(173,588)	-	-
10 June 2008	September 2014	444,407	-	-	(11,785)	(360,694)	71,928	71,928
		618,037	-	(42)	(11,785)	(534,282)	71,928	71,928

The vesting conditions for the above share options are based on the achievement of pre-agreed key performance indicators and milestones, and service (time) based periods. The vesting period of the options range from 2 to 6 years from grant date.

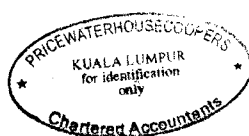
The weighted average share price at the time of exercise was RM14.49 (2014: RM14.06). The weighted average remaining contractual life for the share is Nil (2014: 0.25 years).

**(iii) 3,095,000 share options at an exercise price of RM9.14 (exercise price adjusted to RM8.69 for rights issue):**

2015		As at	Adjustment for				Outstanding	Exercisable
Grant date	Expiry date	1-Jul-14	Rights Issue	Expired	Forfeited	Exercised	As at 30-Jun-15	As at 30-Jun-15
23 September 2010	September 2014	66,447	-	-	-	(66,447)	-	-
2014		As at	Adjustment for				Outstanding	Exercisable
Grant date	Expiry date	1-Jul-13	Rights Issue	Expired	Forfeited	Exercised	As at 30-Jun-14	As at 30-Jun-14
23 September 2010	September 2013	173,180	-	-	-	(173,180)	-	-
23 September 2010	September 2014	218,238	-	-	(29,042)	(122,749)	66,447	66,447
		391,418	-	-	(29,042)	(295,929)	66,447	66,447

The vesting conditions for the above share options are based on the achievement of pre-agreed key performance indicators and milestones, and service (time) based periods. The vesting period of the options range from 1.5 to 3.5 years from grant date.

The weighted average share price at the time of exercise was RM14.27 (2014: RM14.07). The weighted average remaining contractual life for the share is Nil (2014: 0.25 years).



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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)**


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**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)**
**52 Equity compensation benefits (continued)****Executive Share Option Scheme and Executive Share Scheme (continued)****(a) ESOS 2006/2016 (continued)**

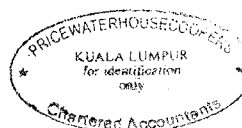
The ordinary share options of the Bank granted under the ESOS 2006/2016 that are still outstanding for the financial years ended 30 June 2015 and 30 June 2014 are as follows: (continued)

**(iv) 1,000,000 share options at an exercise price of RM10.55:**

2015		As at 1-Jul-14	Adjustment for				Exercised	Outstanding	Exercisable
Grant date	Expiry date		Rights Issue	Expired	Forfeited	As at 30-Jun-15		As at 30-Jun-15	
27 October 2011	January 2015	500,000	-	-	-	(500,000)	-	-	
2014		As at 1-Jul-13	Adjustment for				Exercised	Outstanding	Exercisable
Grant date	Expiry date		Rights Issue	Expired	Forfeited	As at 30-Jun-14		As at 30-Jun-14	
27 October 2011	April 2014	500,000	-	-	-	(500,000)	-	-	
27 October 2011	January 2015	500,000	-	-	-	-	500,000	-	
		1,000,000	-	-	-	(500,000)	500,000	-	

The vesting conditions for the above share options is based on service (time) based periods. The vesting period of the options range from 2 to 3 years from grant date.

The weighted average share price at the time of exercise was RM14.23 (2014: RM14.21). The weighted average remaining contractual life for the share is Nil (2014: 0.59 years).



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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)**


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**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)**
**52 Equity compensation benefits (continued)****Executive Share Option Scheme and Executive Share Scheme (continued)**

## (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").

The main features of the ESS are, inter alia, as follows:

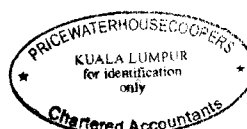
1. Eligible executives are persons as defined by the ESS Bye-Laws.
2. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Bank in a general meeting. The Board, as defined by the ESS Bye-Laws, may from time to time at its absolute discretion select and identify suitable eligible executives to be offered options or grants.
3. 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.
4. The option price for the options to be granted under the ESOS 2013/2023 shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Bank preceding the Date of Offer as defined by the ESS Bye-Laws, and shall in no event be less than the par value of the shares of the Bank.
5. The options granted to an option holder under the ESOS 2013/2023 is exercisable by the option holder during his employment or directorship with the HLB Group and upon meeting the vesting conditions of each ESOS plan as stated in the following pages, subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESS.
6. The shares to be vested to a grant holder under the ESGS will be vested to the grant holder only during his employment or directorship with the HLB Group and subject to any other terms and conditions as may be determined by the Board.
7. The exercise of the options under the ESOS 2013/2023 or the vesting of shares under the ESGS may, at the absolute discretion of the Board, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESS; or a combination of both new shares and existing shares.

## (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.



## 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)

#### 52 Equity compensation benefits (continued)

##### Executive Share Option Scheme and Executive Share Scheme (continued)

##### (b) ESS (continued)

##### (i) ESOS 2013/2023 (continued)

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 8,000,000, all of which remain outstanding. The options granted are subject to the achievement of certain performance criteria by the option holders over a performance period concluding at the end of the financial year ending 30 June 2018 ("FY 2018"). The achievement of the performance targets and the number of shares (if any) to be vested shall be determined at the end of FY 2018. The exercise period of the vested options will be up to the 30th month from the vesting date to be determined at the end of FY 2018.

##### (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.

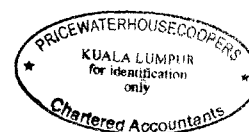
The ordinary share options of the Bank granted under the ESOS 2013/2023 that are still outstanding for the financial year ended 30 June 2015 is as follows:

##### (i) 37,550,000 share options at an exercise price of RM14.24 :

2015							Outstanding	Exercisable
Grant date	Expiry date	As at 1-Jul-14	Granted	Expired	Forfeited	Exercised	As at 30-Jun-15	As at 30-Jun-15
2 April 2015	December 2018	-	15,020,000	-	(500,000)	-	14,520,000	-
2 April 2015	December 2019	-	15,020,000	-	(500,000)	-	14,520,000	-
2 April 2015	December 2020	-	7,510,000	-	(250,000)	-	7,260,000	-
		-	<u>37,550,000</u>	-	<u>(1,250,000)</u>	-	<u>36,300,000</u>	-

The estimated fair value of each share option granted is between RM1.42 and RM1.67 per share. This was calculated using the Black-Scholes model. The model inputs were the share price at grant date of RM14.30, weighted average option life at grant date of 4.55 years, exercise price of RM14.24, expected volatility of 11.74%, weighted average expected dividend yield of 3.29% and a weighted average risk free interest rate of 3.77%.

The vesting conditions for the above share options are based on the achievement of pre-agreed key performance indicators and milestones, and service (time) based periods. The vesting period of the options range from 3.75 to 5.75 years from grant date.



## 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)

#### 52 Equity compensation benefits (continued)

##### Executive Share Option Scheme and Executive Share Scheme (continued)

##### (c) Treasury shares for ESOS Scheme

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 the Shareholders' Funds on the statements of financial position. The cost of operating the Schemes is charged to the statements of income.

The number and market values of the ordinary shares held by the Trustee are as follows:

	The Group and The Bank			
	2015		2014	
	Number of trust shares held '000	Market value RM'000	Number of trust shares held '000	Market value RM'000
As at end of the financial year	33,373	447,198	36,211	499,712

#### 53 Critical accounting estimates and judgements in applying accounting policies

The Group and the Bank make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Bank's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

##### (a) Allowance for impairment losses on loans, advances and financing

The Group and the Bank review their loan portfolios to assess impairment at least on a quarterly basis. It is the policy of the Group and the Bank to establish, through charges against profit, individual and collective assessment impairment allowances in respect of estimated and inherent credit losses in their portfolio.

In determining individual assessment impairment allowances for loans/financing above the set threshold, management considers objective evidence of impairment and exercises judgement in estimating cash flows and collateral value. Whilst, management's judgement is guided by the relevant BNM guidelines, judgement is made in estimation of the amount and timing of future cash flows in assessing allowance for impairment of financial assets. Among the factors considered are the net realisable value of the underlying collateral value, the viability of the customer's business model and the capacity to generate sufficient cash flow to service debt obligations.

##### (b) Impairment of goodwill

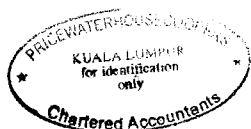
The Group perform an impairment review on an annual basis. The goodwill impairment assessment involves a significant amount of estimation. This includes identification of independent cash-generating units ("CGUs") and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition.

In estimating the value-in-use, the Group is required to make an estimate of the expected future cash flows from the CGUs. Management also exercise judgement in determining both the growth rate and the discount rate used to discount future expected cash flows to the CGUs.

#### 54 General information

The Bank is a public limited liability company that is incorporated and domiciled in Malaysia. The registered office is at Level 8, Wisma Hong Leong, 18, Jalan Perak, 50450 Kuala Lumpur, Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 July 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)

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

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cost				
As at 1 July/ 30 June	<u>1,831,312</u>	<u>1,831,312</u>	<u>1,771,547</u>	<u>1,771,547</u>

**Allocation of goodwill to cash-generating units**

Goodwill has been allocated to the following "CGUs":

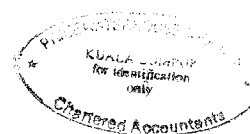
	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Personal Financial Services	1,188,705	1,188,705	1,149,911	1,149,911
Business & Corporate Banking	479,437	479,437	463,791	463,791
Global Markets	163,170	163,170	157,845	157,845
	<u>1,831,312</u>	<u>1,831,312</u>	<u>1,771,547</u>	<u>1,771,547</u>

**Impairment test for goodwill**

The recoverable amount of CGUs is determined based on higher of fair value less costs to sell and value-in-use calculations. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, less costs of disposal. This estimate is mainly determined, on 30 June 2015, on the basis of available market information such as the fair value of the underlying assets and liabilities which have been marked-to-market.

Value in use is the present value of the future cash flows expected to be derived from the CGUs or groups of CGUs. This calculation uses pre-tax cash flow projections based on the budget for the financial year ending 2015, which is approved by the Board of Directors. There is a further projection of 4 years (2014: 4 years) based on the average historical Gross Domestic Product ("GDP") growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the 5 year period are extrapolated using an estimated growth rate of 4.8% (2014: 5.0%) representing the forecasted GDP growth rate of the country for all cash generating units. The cash flow projections are derived based on a number of key factors including past performance and management's expectation of market developments. The discount rates used in determining the recoverable amount of all the CGUs range from 9.88% to 9.91% (2014: 11.59% to 11.67%). The pre-tax discount rate reflects the specific risks relating to the CGUs.

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of any CGU to exceed its recoverable amount.



**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)**
**56 Realised and unrealised profits**

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

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total retained profits of Hong Leong Bank Berhad and subsidiaries				
- Realised	5,206,647	5,327,227	4,654,544	4,748,470
- Unrealised	1,010,241	637,892	998,660	626,600
	<u>6,216,888</u>	<u>5,965,119</u>	<u>5,653,204</u>	<u>5,375,070</u>
Total share of retained profits from associated company				
- Realised	1,704,761	1,303,484	-	-
Total share of retained profits from joint venture				
- Realised	29,770	13,369	-	-
	<u>7,951,419</u>	<u>7,281,972</u>	<u>5,653,204</u>	<u>5,375,070</u>
Less: Consolidation adjustment	(131,905)	(92,868)	-	-
Total Group's retained profits	<u>7,819,514</u>	<u>7,189,104</u>	<u>5,653,204</u>	<u>5,375,070</u>

The Group views translation gains or losses on monetary items as realised as it is incurred in the ordinary course of business.

The disclosure of realised and unrealised profits/(losses) above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.





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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)**


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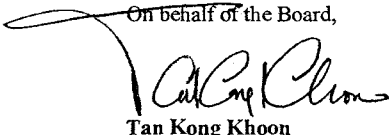
**Hong Leong Bank Berhad**

Company no: 97141-X  
(Incorporated in Malaysia)

**Statement by Directors pursuant to  
Section 169(15) of the Companies Act, 1965**

We, Tan Kong Khoon and Lim Lean See, two of the Directors of Hong Leong Bank Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 15 to 168 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 30 June 2015 and of the results and cash flows of the Group and the Bank for the financial year then ended on that date, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

On behalf of the Board,



Tan Kong Khoon

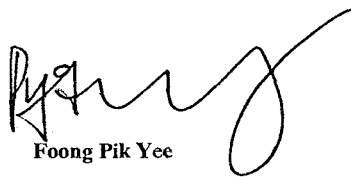
Lim Lean See

Kuala Lumpur  
21 September 2015

**Statutory declaration pursuant to  
Section 169(16) of the Companies Act, 1965**

I, Foong Pik Yee, the officer primarily responsible for the financial management of Hong Leong Bank Berhad, do solemnly and sincerely declare that the financial statements set out on pages 15 to 168 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

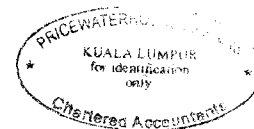
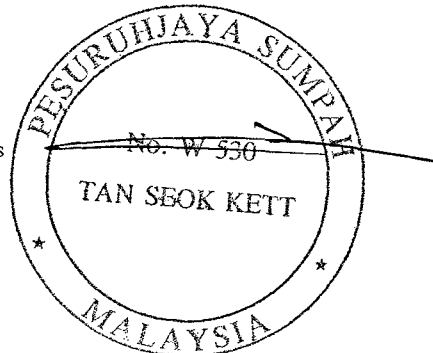
Subscribed and solemnly declared by )  
the abovenamed Foong Pik Yee at )  
Kuala Lumpur in Wilayah Persekutuan on )  
21 September 2015 )



Foong Pik Yee

Before me,

Tan Seok Kett  
Commissioner of Oaths



Lot 350, 3rd Floor, Wisma MPL,  
Jalan Raja Chulan,  
50200 Kuala Lumpur. 169

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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)**


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**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF HONG LEONG BANK BERHAD**
**REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)**

We have audited the financial statements of Hong Leong Bank Berhad on pages 15 to 168 which comprise the statements of financial position as at 30 June 2015 of the Group and of the Bank, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Bank for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 55.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

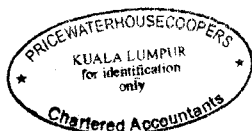
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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*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*



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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)**


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**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF HONG LEONG BANK BERHAD (CONTINUED)**
**REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)**
Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as of 30 June 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

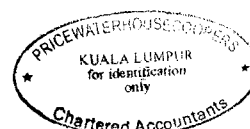
**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the requirements of the Companies Act, 1965, in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 11 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**OTHER REPORTING RESPONSIBILITIES**

The supplementary information set out in Note 56 on page 168 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.



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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)**

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**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF HONG LEONG BANK BERHAD (CONTINUED)**

**OTHER MATTERS**

This report is made solely to the members of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Yuh', with a horizontal line extending to the right.

NG YEE LING  
(No.3032/01/17 (J))  
Chartered Accountant

Kuala Lumpur  
21 September 2015



**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE 3-MONTH  
FPE 30 SEPTEMBER 2015**

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

**Condensed Financial Statements  
Unaudited Statements of Financial Position As At 30 September 2015**

	Note	The Group		The Bank	
		As at 30/09/2015 RM'000	As at 30/06/2015 RM'000	As at 30/09/2015 RM'000	As at 30/06/2015 RM'000
<b>ASSETS</b>					
Cash and short-term funds		5,352,887	6,230,283	4,643,283	4,972,372
Deposits and placements with banks and other financial institutions		4,408,750	3,982,119	4,307,000	4,340,892
Securities purchased under resale agreements		6,154,824	12,163,252	6,154,824	12,163,252
Financial assets held-for-trading	A8	8,488,539	7,131,434	8,260,004	7,123,538
Financial investments available-for-sale	A9	23,312,467	20,307,353	21,072,735	17,370,438
Financial investments held-to-maturity	A10	10,180,748	9,950,081	8,715,719	8,618,741
Loans, advances and financing	A11	115,062,724	112,124,109	97,838,795	95,563,493
Other assets	A12	1,808,064	1,295,419	1,678,592	1,149,905
Derivative financial instruments		2,231,178	1,424,929	2,195,424	1,421,571
Amount due from subsidiaries		-	-	47,407	12,984
Statutory deposits with Central Banks		3,712,420	3,476,192	3,025,290	2,859,590
Subsidiary companies		-	-	1,365,210	1,358,443
Investment in associated company		3,467,612	2,977,776	946,525	946,525
Investment in joint venture		147,448	128,790	76,711	76,711
Property and equipment		682,515	678,579	627,794	627,784
Intangible assets		309,569	318,107	292,756	302,801
Goodwill		1,831,312	1,831,312	1,771,547	1,771,547
<b>TOTAL ASSETS</b>		<b>187,151,057</b>	<b>184,019,735</b>	<b>163,019,616</b>	<b>160,680,587</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Deposits from customers	A13	143,565,656	140,276,148	125,159,560	122,337,044
Deposits and placements of banks and other financial institutions	A14	5,707,084	7,096,231	4,983,113	6,133,109
Obligations on securities sold under repurchase agreements		4,413,636	3,691,338	4,413,636	3,691,338
Bills and acceptances payable		342,497	1,900,967	320,213	1,874,138
Other liabilities	A15	4,097,672	3,901,119	3,590,359	3,264,006
Derivative financial instruments		2,512,197	1,287,726	2,437,385	1,269,894
Senior bonds	A16	2,655,099	2,286,380	2,655,099	2,286,380
Tier 2 subordinated bonds	A17	3,952,093	4,619,812	3,546,899	4,219,507
Non-innovative Tier 1 stapled securities	A18	1,428,774	1,410,869	1,428,774	1,410,869
Innovative Tier 1 capital securities	A19	517,447	530,223	517,447	530,223
Taxation		196,144	152,240	201,566	160,243
Deferred tax liabilities		11,486	77,090	13,972	75,672
<b>TOTAL LIABILITIES</b>		<b>169,399,785</b>	<b>167,230,143</b>	<b>149,268,023</b>	<b>147,252,423</b>
Share capital		1,879,909	1,879,909	1,879,909	1,879,909
Reserves		16,534,108	15,558,271	12,534,429	12,196,843
Less: Treasury shares		(662,745)	(648,588)	(662,745)	(648,588)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>17,751,272</b>	<b>16,789,592</b>	<b>13,751,593</b>	<b>13,428,164</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>187,151,057</b>	<b>184,019,735</b>	<b>163,019,616</b>	<b>160,680,587</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	A30	<b>151,823,232</b>	<b>148,927,356</b>	<b>145,207,557</b>	<b>142,453,657</b>
Net asset per share attributable to ordinary equity holders of the parent (RM) *		10.06	9.51	7.79	7.61

\* The Net assets per share attributable to ordinary equity holders of the parent (RM) is computed as Total Shareholders' Equity (excluding Minority Interest) divided by total number of ordinary shares in circulation.

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015.

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE 3-MONTH  
FPE 30 SEPTEMBER 2015 (Cont'd)**

**HONG LEONG BANK BERHAD  
(97141-X)  
(Incorporated in Malaysia)  
Condensed Financial Statements  
Unaudited Statements of Income  
For The Financial Period Ended 30 September 2015**

	Note	The Group			
		Current Quarter Ended 30/09/2015 RM'000	Corresponding Quarter Ended 30/09/2014 RM'000	Current Period Ended 30/09/2015 RM'000	Corresponding Period Ended 30/09/2014 RM'000
Interest income	A20	1,549,855	1,502,505	1,549,855	1,502,505
Interest expense	A21	(889,898)	(787,106)	(889,898)	(787,106)
Net interest income		659,957	715,399	659,957	715,399
Net income from Islamic Banking business	A22	114,532	110,049	114,532	110,049
Other operating income	A23	248,747	189,110	248,747	189,110
Net Income		1,023,236	1,014,558	1,023,236	1,014,558
Other operating expenses	A24	(462,741)	(429,139)	(462,741)	(429,139)
Operating profit before allowances (Allowance for)/write back of impairment losses on loans, advances and financing	A25	560,495 (23,977)	585,419 14,900	560,495 (23,977)	585,419 14,900
Write back of impairment losses		2,849	4,805	2,849	4,805
Share of profit after tax of equity accounted associated company		539,367 80,406	605,124 95,406	539,367 80,406	605,124 95,406
Share of profit after tax of equity accounted joint venture		5,061	3,405	5,061	3,405
Profit before taxation		624,834	703,935	624,834	703,935
Taxation	B5	(121,873)	(156,367)	(121,873)	(156,367)
Net profit for the financial period		502,961	547,568	502,961	547,568
<b>Attributable to:</b>					
Owners of the parent		502,961	547,568	502,961	547,568
Earnings per share - basic (sen)	B13(a)	28.5	31.0	28.5	31.0
Earnings per share - fully diluted (sen)	B13(b)	28.5	31.0	28.5	31.0

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015.*

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE 3-MONTH  
FPE 30 SEPTEMBER 2015 (Cont'd)**
**HONG LEONG BANK BERHAD  
(97141-X)  
(Incorporated in Malaysia)**
**Condensed Financial Statements  
Unaudited Statements of Comprehensive Income  
For The Financial Period Ended 30 September 2015**

	The Group			
	Current Quarter Ended 30/09/2015 RM'000	Corresponding Quarter Ended 30/09/2014 RM'000	Current Period Ended 30/09/2015 RM'000	Corresponding Period Ended 30/09/2014 RM'000
Net profit for the financial period	502,961	547,568	502,961	547,568
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive income/(loss) of associated company	5,201	(1,019)	5,201	(1,019)
Currency translation differences	519,774	14,224	519,774	14,224
Net fair value changes on financial investments available-for-sale	(81,420)	(12,778)	(81,420)	(12,778)
Net fair value changes in cash flow hedge	2,625	-	2,625	-
Income tax relating to components of other comprehensive loss	21,519	2,987	21,519	2,987
Other comprehensive income for the financial period, net of tax	467,699	3,414	467,699	3,414
Total comprehensive income for the financial period	<u>970,660</u>	<u>550,982</u>	<u>970,660</u>	<u>550,982</u>
Attributable to:				
- Owners of the parent	<u>970,660</u>	<u>550,982</u>	<u>970,660</u>	<u>550,982</u>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015.*

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE 3-MONTH  
FPE 30 SEPTEMBER 2015 (Cont'd)**
**HONG LEONG BANK BERHAD  
(97141-X)  
(Incorporated in Malaysia)**
**Condensed Financial Statements  
Unaudited Statements of Income  
For The Financial Period Ended 30 September 2015**

	Note	The Bank			
		Current Quarter Ended 30/09/2015 RM'000	Corresponding Quarter Ended 30/09/2014 RM'000	Current Period Ended 30/09/2015 RM'000	Corresponding Period Ended 30/09/2014 RM'000
Interest income	A20	1,543,917	1,496,002	1,543,917	1,496,002
Interest expense	A21	(898,510)	(793,358)	(898,510)	(793,358)
Net interest income		645,407	702,644	645,407	702,644
Other operating income	A23	252,161	196,475	252,161	196,475
Net Income		897,568	899,119	897,568	899,119
Other operating expenses	A24	(403,180)	(374,110)	(403,180)	(374,110)
Operating profit before allowances (Allowance for)/write back of impairment losses on loans, advances and financing	A25	494,388 (13,435)	525,009 17,976	494,388 (13,435)	525,009 17,976
Write back of impairment losses		2,849	4,805	2,849	4,805
Profit before taxation		483,802	547,790	483,802	547,790
Taxation	B5	(108,573)	(138,389)	(108,573)	(138,389)
Net profit for the financial period		375,229	409,401	375,229	409,401
<b>Attributable to:</b>					
Owners of the parent		375,229	409,401	375,229	409,401
Earnings per share - basic (sen)	B13(a)	21.3	23.2	21.3	23.2
Earnings per share - fully diluted (sen)	B13(b)	21.3	23.2	21.3	23.2

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015.*



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**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE 3-MONTH  
FPE 30 SEPTEMBER 2015 (Cont'd)**


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

**Condensed Financial Statements  
Unaudited Statements of Comprehensive Income  
For The Financial Period Ended 30 September 2015**

	The Bank			
	Current Quarter Ended 30/09/2015 RM'000	Corresponding Quarter Ended 30/09/2014 RM'000	Current Period Ended 30/09/2015 RM'000	Corresponding Period Ended 30/09/2014 RM'000
Net profit for the financial period	375,229	409,401	375,229	409,401
Other comprehensive loss:				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences	2,230	(1,967)	2,230	(1,967)
Net fair value changes on financial investments available-for-sale	(65,290)	(12,511)	(65,290)	(12,511)
Net fair value changes in cash flow hedge	2,625	-	2,625	-
Income tax relating to components of other comprehensive loss	17,615	3,129	17,615	3,129
Other comprehensive loss for the financial period, net of tax	(42,820)	(11,349)	(42,820)	(11,349)
Total comprehensive income for the financial period	<u>332,409</u>	<u>398,052</u>	<u>332,409</u>	<u>398,052</u>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015.*

## UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE 3-MONTH FPE 30 SEPTEMBER 2015 (Cont'd)

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

#### Condensed Financial Statements Unaudited Statements of Changes in Equity For The Financial Period Ended 30 September 2015

	Attributable to owners of the parent										Total Shareholders' Equity RM'000	
	Share Capital RM'000	Share Premium 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	Treasury Shares RM'000		
<b>The Group</b>												
<b>At 1 July 2015</b>	1,879,909	2,872,183	3,575,114	207,975	162	-	399,357	683,966	7,819,514	(648,588)	16,789,592	
<b>Comprehensive Income</b>												
Net profit for the financial period	-	-	-	-	-	-	-	-	502,961	-	502,961	
- Share of other comprehensive income of associated company	-	-	-	5,201	-	-	-	-	-	-	5,201	
- Net fair value changes in financial investments available-for-sale	-	-	-	(59,273)	-	-	-	-	-	-	(59,273)	
- Net fair value changes in cash flow hedge	-	-	-	-	1,997	-	-	-	-	-	1,997	
- Currency translation differences	-	-	-	-	-	-	-	519,774	-	-	519,774	
Total comprehensive (loss)/income	-	-	-	(54,072)	1,997	-	-	519,774	502,961	-	970,660	
<b>Transactions with owners</b>												
Transfer to statutory reserve	-	-	105,059	-	-	-	-	-	(105,059)	-	-	
Transfer to regulatory reserve	-	-	-	-	-	-	52,711	-	(52,711)	-	-	
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(14,157)	(14,157)	
Option charge arising from ESOS granted	-	-	-	-	-	5,177	-	-	-	-	5,177	
Total transactions with owners	-	-	105,059	-	-	5,177	52,711	-	(157,770)	(14,157)	(8,960)	
<b>At 30 September 2015</b>	<b>1,879,909</b>	<b>2,872,183</b>	<b>3,680,173</b>	<b>153,903</b>	<b>2,159</b>	<b>5,177</b>	<b>452,068</b>	<b>1,203,740</b>	<b>8,164,705</b>	<b>(662,745)</b>	<b>17,751,272</b>	
<b>At 1 July 2014</b>	1,879,909	2,832,383	3,081,128	186,444	-	2,618	10,266	(6,095)	7,189,104	(645,579)	14,530,178	
<b>Comprehensive Income</b>												
Net profit for the financial period	-	-	-	-	-	-	-	-	547,568	-	547,568	
- Share of other comprehensive loss of associated company	-	-	-	(1,019)	-	-	-	-	-	-	(1,019)	
- Net fair value changes in financial investments available-for-sale	-	-	-	(9,791)	-	-	-	-	-	-	(9,791)	
- Currency translation differences	-	-	-	-	-	-	-	14,224	-	-	14,224	
Total comprehensive (loss)/income	-	-	-	(10,810)	-	-	-	14,224	547,568	-	550,982	
<b>Transactions with owners</b>												
Transfer to statutory reserve	-	-	114,115	-	-	-	-	-	(114,115)	-	-	
Sale of treasury shares	-	39,212	-	-	-	-	-	-	-	26,428	65,640	
ESOS exercised	-	-	-	-	-	(624)	-	-	753	2,382	2,511	
Option charge arising from ESOS granted	-	39,212	114,115	-	-	(624)	-	-	(113,362)	28,810	68,151	
Total transactions with owners	-	39,212	114,115	-	-	(624)	-	-	753	28,810	68,151	
<b>At 30 September 2014</b>	<b>1,879,909</b>	<b>2,871,595</b>	<b>3,195,243</b>	<b>175,634</b>	<b>-</b>	<b>1,994</b>	<b>10,266</b>	<b>8,129</b>	<b>7,623,310</b>	<b>(616,769)</b>	<b>15,149,311</b>	

\* Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM440,823,000 (30 September 2014: RM Nil) and the banking subsidiary in Vietnam with the State Bank of Vietnam of RM11,245,000 (30 September 2014: RM10,266,000)

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015.

## UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE 3-MONTH FPE 30 SEPTEMBER 2015 (Cont'd)

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

#### Condensed Financial Statements

#### Unaudited Statements of Changes in Equity For The Financial Period Ended 30 September 2015

The Bank	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Non-distributable				Distributable				Total 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	Treasury Shares RM'000		
At 1 July 2015	1,879,909	2,872,183	3,084,249	214,109	162	-	334,138	38,798	5,653,204	(648,588)	13,428,164	
Comprehensive income	-	-	-	-	-	-	-	-	-	-	-	
Net profit for the financial period	-	-	-	-	-	-	-	-	375,229	-	375,229	
- Net fair value changes in financial investments available-for-sale	-	-	-	(47,047)	-	-	-	-	-	-	(47,047)	
- Net fair value changes in cash flow hedge	-	-	-	-	1,997	-	-	-	-	-	1,997	
- Currency translation differences	-	-	-	(47,047)	1,997	-	-	2,230	-	-	2,230	
Total comprehensive (loss)/income	-	-	-	(47,047)	1,997	-	-	2,230	375,229	-	332,409	
Transactions with owners	-	-	-	-	-	-	-	-	-	-	-	
Transfer to statutory reserve	-	-	93,807	-	-	-	-	-	(93,807)	-	-	
Transfer to regulatory reserve	-	-	-	-	-	-	52,551	-	(52,551)	-	-	
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(14,157)	(14,157)	
Option charge arising from ESOS granted	-	-	-	-	-	5,177	-	-	-	-	5,177	
Total transactions with owners	-	-	93,807	-	-	5,177	52,551	-	(146,358)	(14,157)	(8,980)	
At 30 September 2015	1,879,909	2,872,183	3,178,056	167,062	2,159	5,177	386,689	41,028	5,882,075	(662,745)	13,751,593	
At 1 July 2014	1,879,909	2,832,383	2,640,258	208,942	-	2,618	-	36,897	5,375,070	(645,579)	12,330,498	
Comprehensive income	-	-	-	-	-	-	-	-	-	-	-	
Net profit for the financial period	-	-	-	-	-	-	-	-	409,401	-	409,401	
- Net fair value changes in financial investments available-for-sale	-	-	-	(9,382)	-	-	-	-	-	-	(9,382)	
- Currency translation differences	-	-	-	(9,382)	-	-	-	(1,987)	-	-	(1,987)	
Total comprehensive (loss)/income	-	-	-	(9,382)	-	-	-	(1,987)	409,401	-	398,052	
Transactions with owners	-	-	-	-	-	-	-	-	-	-	-	
Transfer to statutory reserve	-	-	102,350	-	-	-	-	-	(102,350)	-	-	
Sale of treasury shares	-	39,212	-	-	-	(624)	-	-	753	26,428	65,640	
ESOS exercised	-	-	-	-	-	-	-	-	-	2,362	2,511	
Option charge arising from ESOS granted	-	-	-	-	-	(624)	-	-	-	-	-	
Total transactions with owners	-	39,212	102,350	-	-	(624)	-	-	(101,597)	28,810	68,151	
At 30 September 2014	1,879,909	2,871,595	2,742,608	199,560	-	1,994	-	34,930	5,682,874	(618,769)	12,796,701	

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015.

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE 3-MONTH  
FPE 30 SEPTEMBER 2015 (Cont'd)**

**HONG LEONG BANK BERHAD  
(97141-X)  
(Incorporated in Malaysia)  
Condensed Financial Statements  
Unaudited Condensed Statements of Cash Flows  
For The Financial Period Ended 30 September 2015**

	The Group		The Bank	
	Financial Period Ended 30/09/2015 RM'000	Financial Period Ended 30/09/2014 RM'000	Financial Period Ended 30/09/2015 RM'000	Financial Period Ended 30/09/2014 RM'000
Profit before taxation	624,834	703,935	483,802	547,790
Adjustments for non-cash items	239,127	(142,506)	302,105	(58,564)
Operating profit before working capital changes	863,961	561,429	785,907	489,226
Changes in working capital:				
Net changes in operating assets	(467,709)	(9,744,196)	955,796	(8,179,319)
Net changes in operating liabilities	2,629,158	7,349,858	2,461,412	6,526,649
Income taxes and zakat paid	(124,237)	(128,396)	(112,500)	(111,360)
Net cash generated from/(used in) operating activities	<u>2,901,173</u>	<u>(1,961,305)</u>	<u>4,090,615</u>	<u>(1,274,804)</u>
<b>Cash flows from investing activities</b>				
Net purchases of financial investments available-for-sale	(2,962,266)	(1,655,091)	(3,645,719)	(1,752,581)
Net (purchases)/proceeds of financial investments held-to-maturity	(153,980)	26,938	(18,523)	80,279
Purchase of property and equipment	(18,879)	(33,574)	(16,640)	(30,199)
Net proceeds from sale of property and equipment	256	2,188	256	1,781
Purchase of intangible assets	(7,609)	(13,134)	(7,047)	(12,457)
Dividends received on financial investments available-for-sale	32,358	23,205	32,358	23,205
Dividend from joint venture	3,755	-	3,755	-
Dividends from subsidiary companies	-	-	-	13,353
Net cash used in investing activities	<u>(3,106,365)</u>	<u>(1,649,468)</u>	<u>(3,651,560)</u>	<u>(1,676,619)</u>
<b>Cash flows from financing activities</b>				
Repayment of Tier 2 subordinated loan	(700,000)	-	(700,000)	-
Purchase of treasury shares	(14,157)	-	(14,157)	-
Sale of treasury shares	-	65,640	-	65,640
Cash received from ESOS exercised	-	2,511	-	2,511
Interest paid on subordinated obligations	(50,355)	(49,005)	(55,237)	(53,845)
Net cash (used in)/generated from financing activities	<u>(764,512)</u>	<u>19,146</u>	<u>(769,394)</u>	<u>14,306</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(969,704)</b>	<b>(3,591,627)</b>	<b>(330,339)</b>	<b>(2,937,117)</b>
<b>Currency translation differences</b>	<b>92,308</b>	<b>55,558</b>	<b>1,250</b>	<b>39,714</b>
<b>Cash and cash equivalents at the beginning of financial period</b>	<b>6,230,283</b>	<b>14,712,789</b>	<b>4,972,372</b>	<b>13,629,775</b>
<b>Cash and cash equivalents at the end of financial period</b>	<b>5,352,887</b>	<b>11,176,720</b>	<b>4,643,283</b>	<b>10,732,372</b>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015.*

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**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE 3-MONTH  
FPE 30 SEPTEMBER 2015 (Cont'd)**


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

**Part A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standard ("MFRS") 134 and Policy Document on Financial Reporting Issued by Bank Negara Malaysia ("BNM") on 28 January 2015**

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS  
FOR FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015**

**A1 Basis of preparation**

The unaudited condensed financial statements for the financial period ended 30 September 2015 have been prepared under the historical cost convention, except for the following assets and liabilities which are stated at fair values: financial assets held-for-trading, financial investments available-for-sale and derivative financial instruments.

The unaudited condensed financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB") and paragraph 9.22 of the Bursa Malaysia Securities Berhad's ("Bursa Securities") Listing Requirements and should be read in conjunction with the audited annual financial statements for the Group and Hong Leong Bank Berhad ("HLB" or "the Bank") for the financial year ended 30 June 2015. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 30 June 2015.

The unaudited condensed 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 significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2015.

Revised BNM Policy Document on Classification and Impairment Provisions for Loans/Financing

On 6 April 2015, BNM issued a revised Policy Document on Classification and Impairment Provisions for Loans/Financing. The issuance of this revised policy document has superseded two guidelines issued by BNM previously, namely Classification and Impairment Provisions for Loans/Financing dated 9 November 2011 and Classification and Impairment Provisions for Loans/Financing – Maintenance of Regulatory Reserves dated 4 February 2014. Some of the key changes introduced in the revised BNM Policy Document include classification of a loan/financing as impaired when the loan/financing is classified as rescheduled and restructured ("R&R") in BNM's Central Credit Reference Information System ("CCRIS") and reclassification of a R&R loan/financing from impaired to non-impaired when repayments based on revised and restructured terms have been observed continuously for a period of at least 6 months.

The requirements in this revised Policy Document are effective on 1 January 2015, except for the following:

- (i) the requirement to classify loans/financing as rescheduled and restructured in the Central Credit Reference Information System ("CCRIS") will be effective on or after 1 April 2015; and
- (ii) the requirement for a banking institution to maintain, in aggregate, collective impairment allowance and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowance will be effective beginning 31 December 2015.

The Group and the Bank have complied to the new requirements to classify loans/financing as rescheduled and restructured. The Group and the Bank have early adopted the requirement for a banking institution to maintain, in aggregate, collective impairment allowance and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowance since financial year 30 June 2015. 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. The regulatory reserve is not qualified as Common Equity Tier 1 capital under BNM's Capital Adequacy Framework (Capital Components).

During the financial period, the Group and the Bank have transferred RM52.71 million and RM52.55 million respectively from its retained profits to regulatory reserves in accordance with BNM's requirements.

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**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE 3-MONTH  
FPE 30 SEPTEMBER 2015 (Cont'd)**

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**HONG LEONG BANK BERHAD  
(97141-X)  
(Incorporated in Malaysia)****A1 Basis of preparation (continued)**

The preparation of unaudited condensed financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed financial statements, and the reported amounts of income and expenses during the reported financial period. It also requires Directors to exercise their judgement in the process of applying the Group and the Bank's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

**A2 Status of matters giving rise to the auditor's qualified report in the preceding annual financial statements for the year ended 30 June 2015**

There was no qualified report issued by the auditors in the preceding annual financial statements for the year ended 30 June 2015.

**A3 Seasonality or cyclicity of operations**

The business operations of the Group and the Bank have not been affected by any material seasonal and cyclical factors.

**A4 Exceptional items or unusual events affecting financial statements**

There were no exceptional items or unusual events that materially affected the financial statements.

**A5 Variation from financial estimates reported in preceding financial period**

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

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

Save as detailed below, there were no other new shares issuance, repayment of debt and equity securities, share buy-back and share cancellations, or resale of shares held as treasury shares during the financial period ended 30 September 2015:

**a) Share Buy-back**

There were no purchase of ordinary shares of RM1.00 each ('Shares') from the open market during the financial period ended 30 September 2015.

The total number of shares bought back, all of which were held as treasury shares as at 30 September 2015 amounted to 81,101,700 shares, at an average price per share of RM5.32. None of the treasury shares were resold or cancelled to date.

**b) Purchase of shares pursuant to ESOS**

A trust has been set up for the ESOS of the Bank and it 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 Statements: Presentation and Disclosure, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares", in addition to the Treasury Shares for share buy-back, in the Shareholders' Equity on the Statements of Financial Position.

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**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE 3-MONTH  
FPE 30 SEPTEMBER 2015 (Cont'd)**

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**HONG LEONG BANK BERHAD  
(97141-X)  
(Incorporated in Malaysia)****A6 Issuance and repayment of debt and equity securities (continued)****b) Purchase of shares pursuant to ESOS (continued)**

During the financial period ended 30 September 2015, the trust had purchased 1,082,700 shares between 7 July 2015 and 29 September 2015 with total costs of RM14.2 million. As at 30 September 2015, the total number of Treasury Shares for ESOS was 34,455,600 at an average carrying value of RM6.70 per share.

On 2 April 2015, the Bank has granted the following conditional new incentive share options to eligible executives of the Bank and its subsidiary pursuant to the Bank's Executive Share Scheme:

- (i) Up to 37,550,000 share options at an exercise price of RM14.24.

The options granted are subject to the achievement of certain performance criteria by the option holders over a performance period concluding at the end of the financial year ending 30 June 2018 ("FY 2018"). The achievement of the performance targets and the number of shares (if any) to be vested shall be determined at the end of FY 2018. The exercise period of the vested options will be up to the 30th month from the vesting date to be determined.

**c) Repayment of debt and equity securities**

On 10 August 2015, HLB had fully redeemed the RM700.0 million nominal value bearing coupon rate of 4.85% per annum Tier 2 Subordinated Notes issued by the Bank on 10 August 2010.

**A7 Dividends paid**

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

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE 3-MONTH  
FPE 30 SEPTEMBER 2015 (Cont'd)**
**HONG LEONG BANK BERHAD  
(97141-X)  
(Incorporated in Malaysia)**
**A8 Financial assets held-for-trading**

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>
Money market instruments:				
Bank Negara Malaysia bills	-	383,325	-	383,325
Government treasury bills	200,517	78,632	200,517	78,632
Malaysian Government securities	846,303	67,769	846,303	67,769
Malaysian Government investment certificates	255,151	609,725	225,369	233,383
Bankers' acceptances and Islamic accepted bills	-	30,404	-	30,404
Negotiable instruments of deposit	6,254,742	5,328,784	6,055,989	5,697,230
Cagamas bonds	161,350	35,446	161,350	35,446
Khazanah bonds	17,558	-	17,558	-
	<u>7,735,621</u>	<u>6,534,085</u>	<u>7,507,086</u>	<u>6,526,189</u>
Quoted securities:				
Shares outside Malaysia	3,732	3,394	3,732	3,394
Foreign currency bonds in Malaysia	422,987	375,822	422,987	375,822
Unquoted securities:				
Private and Islamic debt securities	326,199	218,133	326,199	218,133
Total financial assets held-for-trading	<u>8,488,539</u>	<u>7,131,434</u>	<u>8,260,004</u>	<u>7,123,538</u>



**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE 3-MONTH  
FPE 30 SEPTEMBER 2015 (Cont'd)**
**HONG LEONG BANK BERHAD  
(97141-X)  
(Incorporated in Malaysia)**
**A9 Financial investments available-for-sale**

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>
Money market instruments:				
Government treasury bills	123,584	168,553	123,584	168,553
Malaysian Government securities	719,886	10,684	719,886	10,684
Malaysian Government investment certificates	3,289,574	3,461,207	2,413,251	1,836,986
Other Government securities	203,817	277,911	-	-
Cagamas bonds	889,228	886,276	707,029	704,900
Khazanah bonds	346,967	345,140	346,967	345,140
Sukuk	109,619	-	79,723	-
	<u>5,682,675</u>	<u>5,149,771</u>	<u>4,390,440</u>	<u>3,066,263</u>
Quoted Securities:				
Shares in Malaysia	15,689	16,225	15,689	16,225
Shares outside Malaysia	27	25	27	25
Wholesale fund	4,200,426	3,206,328	4,200,426	3,206,328
Foreign currency bonds in Malaysia	4,908,069	4,380,452	4,723,057	4,220,916
Foreign currency bonds outside Malaysia	2,031,819	1,452,826	2,031,819	1,452,826
Unquoted securities:				
Private debt securities in Malaysia	5,790,318	5,447,769	5,027,833	4,753,898
Shares in Malaysia	390,753	390,753	390,753	390,753
Shares outside Malaysia	4,802	4,134	4,802	4,134
Foreign currency bonds in Malaysia	287,889	259,070	287,889	259,070
Total financial investments available-for-sale	<u>23,312,467</u>	<u>20,307,353</u>	<u>21,072,735</u>	<u>17,370,438</u>

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE 3-MONTH  
FPE 30 SEPTEMBER 2015 (Cont'd)**
**HONG LEONG BANK BERHAD  
(97141-X)  
(Incorporated in Malaysia)**
**A10 Financial investments held-to-maturity**

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>
Money market instruments:				
Malaysian Government securities	3,631,527	2,952,499	3,631,527	2,952,499
Malaysian Government investment certificates	6,146,388	6,529,307	4,354,169	4,965,307
Cagamas bonds	30,491	30,454	20,312	20,127
Negotiable instruments of deposit	1,818	2,338	501,852	501,817
Other Government securities	315,489	335,159	152,824	124,456
	<u>10,125,713</u>	<u>9,849,757</u>	<u>8,660,684</u>	<u>8,564,206</u>
Unquoted securities in Malaysia:				
Loan stocks	49	49	49	49
Private and Islamic debt securities	-	45,789	-	-
Unquoted bonds	486	486	486	486
Investment in preference shares	54,500	54,000	54,500	54,000
	<u>55,035</u>	<u>100,324</u>	<u>55,035</u>	<u>54,535</u>
Total financial investments held-to-maturity	<u>10,180,748</u>	<u>9,950,081</u>	<u>8,715,719</u>	<u>8,618,741</u>

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE 3-MONTH  
FPE 30 SEPTEMBER 2015 (Cont'd)**

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

**A11 Loans, advances and financing**

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>
Overdrafts	4,082,640	4,005,025	3,849,381	3,787,272
Term loans/financing:				
- Housing and shop loans/financing	55,703,405	53,828,770	46,468,568	45,074,437
- Syndicated/term loans or financing	9,351,685	9,038,647	8,117,602	7,944,110
- Hire purchase receivables	18,323,338	18,099,246	14,875,122	14,631,741
- Other term loans/financing	9,038,607	8,676,463	7,487,484	7,151,025
Credit/charge card receivables	3,816,429	3,889,314	3,816,429	3,889,314
Bills receivable	1,226,554	1,166,833	1,213,733	1,155,997
Trust receipts	334,723	322,780	261,866	251,752
Claims on customers under acceptance credits	7,101,401	7,369,680	6,741,930	7,051,254
Block discounting	14	14	14	14
Revolving credit	6,849,978	6,549,079	5,617,175	5,301,689
Staff loans/financing	163,855	167,479	151,650	154,767
Other loans/financing	338,949	304,960	332,470	297,986
Gross loans, advances and financing	<u>116,331,578</u>	<u>113,418,290</u>	<u>98,933,424</u>	<u>96,691,358</u>
Unamortised fair value changes arising from terminated fair value hedges	(1,870)	(2,188)	295	547
Allowance for impaired loans, advances and financing:				
- Collective assessment allowance	(950,819)	(969,033)	(796,936)	(822,488)
- Individual assessment allowance	(316,165)	(322,960)	(297,988)	(305,924)
Total net loans, advances and financing	<u>115,062,724</u>	<u>112,124,109</u>	<u>97,838,795</u>	<u>95,563,493</u>

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE 3-MONTH  
FPE 30 SEPTEMBER 2015 (Cont'd)**
**HONG LEONG BANK BERHAD  
(97141-X)  
(Incorporated in Malaysia)**
**A11 Loans, advances and financing (continued)**
**A11a By type of customer**

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>
Domestic non-bank financial institutions	603,209	638,549	11,896	88,620
Domestic business enterprises:				
- small and medium enterprises	17,841,165	17,771,812	16,107,222	16,036,000
- others	18,643,946	18,372,803	16,120,882	15,997,698
Government and statutory bodies	26,918	24,448	14,991	12,473
Individuals	72,650,245	70,958,690	60,407,501	59,198,892
Other domestic entities	195,028	171,386	167,750	144,676
Foreign entities	6,371,067	5,480,602	6,103,182	5,212,999
Gross loans, advances and financing	<u>116,331,578</u>	<u>113,418,290</u>	<u>98,933,424</u>	<u>96,691,358</u>

**A11b By interest/profit rate sensitivity**

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>
Fixed rate:				
- Housing and shop loans/financing	4,895,042	3,575,427	3,349,980	2,347,397
- Hire purchase receivables	17,477,932	17,537,151	14,029,716	14,069,645
- Other fixed rate loan/financing	7,793,134	7,379,130	6,976,186	6,612,153
Variable rate:				
- Base rate/base lending rate plus	69,954,527	68,912,319	60,266,952	59,493,564
- Cost plus	15,855,755	15,694,860	14,310,590	14,168,599
- Other variables rates	355,188	319,403	-	-
Gross loans, advances and financing	<u>116,331,578</u>	<u>113,418,290</u>	<u>98,933,424</u>	<u>96,691,358</u>

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE 3-MONTH  
FPE 30 SEPTEMBER 2015 (Cont'd)**

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

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

**A11c By economic purpose**

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>
Purchase of securities	643,042	704,762	633,233	694,801
Purchase of transport vehicles	18,202,882	18,020,496	14,709,091	14,509,560
Purchase of landed properties				
- residential	47,044,049	45,306,604	38,778,532	37,505,118
- non-residential	14,550,386	14,231,669	13,161,730	12,892,318
Purchase of fixed assets (excluding landed properties)	448,593	462,979	406,638	421,120
Personal use	3,714,675	3,523,573	3,142,536	2,945,941
Credit card	3,816,429	3,889,314	3,816,429	3,889,314
Purchase of consumer durables	406	418	406	418
Construction	1,276,062	1,257,882	1,066,382	1,049,262
Mergers and acquisition	252,946	258,988	252,946	258,988
Working capital	24,011,293	23,432,987	20,806,120	20,396,334
Other purpose	2,370,815	2,328,618	2,159,381	2,128,184
Gross loans, advances and financing	<u>116,331,578</u>	<u>113,418,290</u>	<u>98,933,424</u>	<u>96,691,358</u>

**A11d By geographical distribution**

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>
Malaysia	111,326,964	109,283,009	94,640,120	93,141,474
Singapore	4,259,355	3,529,821	4,259,355	3,529,821
Hong Kong	33,949	20,063	33,949	20,063
Vietnam	355,188	319,403	-	-
Cambodia	356,122	265,994	-	-
Gross loans, advances and financing	<u>116,331,578</u>	<u>113,418,290</u>	<u>98,933,424</u>	<u>96,691,358</u>

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE 3-MONTH  
FPE 30 SEPTEMBER 2015 (Cont'd)**
**HONG LEONG BANK BERHAD  
(97141-X)  
(Incorporated in Malaysia)**
**A11 Loans, advances and financing (continued)**
**A11e By residual contractual maturity**

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>
Within one year	29,632,084	28,564,745	27,455,104	26,844,178
One year to less than three years	7,602,455	7,821,134	6,635,076	6,499,875
Three years to less than five years	10,373,481	10,257,963	8,531,591	8,464,914
Five years and more	68,723,558	66,774,448	56,311,653	54,882,391
Gross loans, advances and financing	<u>116,331,578</u>	<u>113,418,290</u>	<u>98,933,424</u>	<u>96,691,358</u>

**A11f Impaired loans, advances and financing by economic purpose**

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>
Purchase of securities	221	235	221	235
Purchase of transport vehicles	183,517	184,069	142,717	144,718
Purchase of landed properties				
- residential	242,052	207,232	176,325	148,743
- non-residential	53,581	46,190	49,852	43,695
Purchase of fixed assets (excluding landed properties)	29,301	34,188	28,064	32,943
Personal use	35,926	34,714	30,686	30,000
Credit card	46,172	42,907	46,172	42,907
Purchase of consumer durables	-	4	-	4
Construction	4,020	4,114	2,004	2,082
Working capital	345,850	365,444	328,936	348,978
Other purpose	26,427	28,863	26,059	28,495
Gross impaired loans, advances and financing	<u>967,067</u>	<u>947,960</u>	<u>831,036</u>	<u>822,800</u>

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

**A11g Impaired loans, advances and financing by geographical distribution**

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>
Malaysia	952,867	935,235	831,036	822,800
Vietnam	14,200	12,725	-	-
Gross impaired loans, advances and financing	<u>967,067</u>	<u>947,960</u>	<u>831,036</u>	<u>822,800</u>

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

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>
At 1 July	947,960	1,231,735	822,800	1,025,115
Impaired during the financial period/year	408,444	1,525,359	344,079	1,275,080
Performing during the financial period/year	(198,662)	(792,443)	(160,335)	(637,758)
Amount written back in respect of recoveries	(91,651)	(480,590)	(82,429)	(403,171)
Amount written off	(100,791)	(541,798)	(93,226)	(436,696)
Exchange difference	1,767	5,697	147	230
At 30 September	<u>967,067</u>	<u>947,960</u>	<u>831,036</u>	<u>822,800</u>
Gross impaired loans as a % of gross loans, advances and financing	<u>0.8%</u>	<u>0.8%</u>	<u>0.8%</u>	<u>0.9%</u>

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

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

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>
<u>Collective Assessment Allowance</u>				
At 1 July	969,033	1,076,604	822,488	922,286
Net allowances made during the financial period/year	75,224	213,457	60,609	189,171
Amount transferred to individual assessment	-	(94)	-	(94)
Amount written off	(91,684)	(310,003)	(84,443)	(279,587)
Unwinding income	(2,900)	(12,129)	(2,396)	(9,802)
Exchange difference	1,146	1,198	678	514
At 30 September	<u>950,819</u>	<u>969,033</u>	<u>796,936</u>	<u>822,488</u>
Collective assessment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing less individual impairment allowance	<u>1.20%</u>	<u>1.20%</u>	<u>1.20%</u>	<u>1.20%</u>
<u>Individual Assessment Allowance</u>				
At 1 July	322,960	511,453	305,924	433,037
Allowances made during the financial period/year	8,925	80,769	7,889	63,314
Amount transferred from collective assessment	-	94	-	94
Amount transferred to allowance for impairment losses on securities	-	(5,274)	-	(5,274)
Amount written back in respect of recoveries	(14,344)	(130,588)	(13,985)	(105,052)
Amount written off	(1,109)	(132,862)	(1,128)	(75,368)
Unwinding income	(938)	(5,360)	(859)	(5,057)
Exchange difference	671	4,728	147	230
At 30 September	<u>316,165</u>	<u>322,960</u>	<u>297,988</u>	<u>305,924</u>



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**A12 Other assets**

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>
Foreclosed properties	939	1,023	939	1,023
Sundry debtors and other prepayments	261,766	257,391	235,952	155,892
Treasury related receivables	123,793	429,244	35,844	429,244
Collateral pledged for derivative transactions	1,292,124	509,483	1,292,123	509,483
Other receivables	129,442	98,278	113,734	54,263
	<u>1,808,064</u>	<u>1,295,419</u>	<u>1,678,592</u>	<u>1,149,905</u>

**A13 Deposits from customers****A13a By type of deposit**

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>
Fixed deposits	82,250,395	77,791,311	71,721,975	67,159,273
Negotiable instruments of deposits	13,794,551	12,879,060	12,375,913	11,412,543
Short-term placements	11,126,485	13,145,658	9,645,315	12,295,104
	<u>107,171,431</u>	<u>103,816,029</u>	<u>93,743,203</u>	<u>90,866,920</u>
Demand deposits	19,795,103	20,065,136	17,326,728	17,553,946
Saving deposits	15,961,959	15,823,857	13,454,602	13,348,698
Others	781,946	640,821	762,111	630,045
Gross deposits from customers	<u>143,710,439</u>	<u>140,345,843</u>	<u>125,286,644</u>	<u>122,399,609</u>
Fair value changes arising from designation at fair value through profit or loss *	(144,783)	(69,695)	(127,084)	(62,565)
Total net deposits from customers	<u>143,565,656</u>	<u>140,276,148</u>	<u>125,159,560</u>	<u>122,337,044</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 RM1,445 million (2015: RM1,542 million) for the Group and RM1,192 million (2015: RM1,214 million) for the Bank respectively.

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**A13 Deposits from customers (continued)**

A13b By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2015</u>	<u>30/06/2015</u>	<u>30/09/2015</u>	<u>30/06/2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Government and statutory bodies	2,684,109	3,011,265	1,750,976	2,127,107
Business enterprises	68,247,609	65,026,828	57,159,079	55,067,415
Individuals	70,694,441	70,231,983	64,438,864	63,279,300
Others	2,084,280	2,075,767	1,937,725	1,925,787
Gross deposits from customers	<u>143,710,439</u>	<u>140,345,843</u>	<u>125,286,644</u>	<u>122,399,609</u>

A13e The maturity structure of fixed deposits, negotiable instruments of deposits and short-term placements are as follows:

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2015</u>	<u>30/06/2015</u>	<u>30/09/2015</u>	<u>30/06/2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Due within six months	83,753,086	78,605,267	71,774,780	68,018,244
More than six months to one year	19,110,545	21,105,271	18,063,003	19,165,497
More than one year to five years	3,577,800	3,375,491	3,175,420	2,953,179
More than five years	730,000	730,000	730,000	730,000
	<u>107,171,431</u>	<u>103,816,029</u>	<u>93,743,203</u>	<u>90,866,920</u>

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

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>
Licensed banks	5,129,269	6,389,746	4,983,113	6,133,109
Licensed investment banks	56,315	123,241	-	-
Licensed Islamic banks	-	49,004	-	-
Other financial institutions	521,500	534,240	-	-
	<u>5,707,084</u>	<u>7,096,231</u>	<u>4,983,113</u>	<u>6,133,109</u>
The maturity structure of deposits and placements of banks and other financial institutions:				
- One year or less (short-term)	<u>5,707,084</u>	<u>7,096,231</u>	<u>4,983,113</u>	<u>6,133,109</u>

**A15 Other liabilities**

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>
Zakat	437	350	-	-
Post employment benefits obligation - defined contribution plan	289	288	289	288
Loan advance payment	2,371,887	2,268,769	1,938,180	1,845,747
Amount due to subsidiary companies	-	-	29,105	29,016
Treasury and cheque clearing	406,202	533,584	405,009	413,043
Treasury related payables	301,713	174,206	300,570	173,063
Sundry creditors and accruals	553,141	534,896	432,515	436,044
Provision for bonus and staff related expenses	119,583	93,525	114,081	89,442
Others	344,420	295,501	370,610	277,363
	<u>4,097,672</u>	<u>3,901,119</u>	<u>3,590,359</u>	<u>3,264,006</u>

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**A16 Senior bonds**

		<b>The Group and The Bank</b>	
		<b>30/09/2015</b>	<b>30/06/2015</b>
		<b>RM'000</b>	<b>RM'000</b>
	Note		
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		802,950	435,750
		<u>2,638,500</u>	<u>2,271,300</u>
Add: Interest payable		20,475	19,401
		<u>2,658,975</u>	<u>2,290,701</u>
Less: Unamortised discounts		(3,876)	(4,321)
		<u>2,655,099</u>	<u>2,286,380</u>

(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%.

**A17 Tier 2 subordinated bonds**

		<b>The Group</b>		<b>The Bank</b>	
		<b>30/09/2015</b>	<b>30/06/2015</b>	<b>30/09/2015</b>	<b>30/06/2015</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
	Note				
RM700 million Tier 2 subordinated debt, at par	(a)	-	700,000	-	700,000
Add: Interest payable		-	13,115	-	13,115
		<u>-</u>	<u>713,115</u>	<u>-</u>	<u>713,115</u>
Less: Unamortised discounts		-	(2)	-	(2)
		<u>-</u>	<u>713,113</u>	<u>-</u>	<u>713,113</u>
RM1.0 billion Tier 2 subordinated debt, at par	(b)	1,000,000	1,000,000	1,000,000	1,000,000
Add: Interest payable		17,758	6,793	17,758	6,793
		<u>1,017,758</u>	<u>1,006,793</u>	<u>1,017,758</u>	<u>1,006,793</u>
Less: Unamortised discounts		(63)	(124)	(63)	(124)
		<u>1,017,695</u>	<u>1,006,669</u>	<u>1,017,695</u>	<u>1,006,669</u>

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**A17 Tier 2 subordinated bonds (continued)**

		<u>The Group</u>		<u>The Bank</u>	
		<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>	<u>30/09/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>
Subordinated medium term notes, at par	(c)	500,000	500,000	500,000	500,000
Add: Interest payable		6,051	65	6,051	65
		<u>506,051</u>	<u>500,065</u>	<u>506,051</u>	<u>500,065</u>
Less: Unamortised discounts		(210)	(350)	(210)	(350)
Fair value adjustments on completion of business combination accounting		<u>(98)</u>	<u>(147)</u>	<u>(98)</u>	<u>(147)</u>
		<u>505,743</u>	<u>499,568</u>	<u>505,743</u>	<u>499,568</u>
RM1.5 billion Tier 2 subordinated debt, at par	(d)	1,500,000	1,500,000	1,500,000	1,500,000
Add: Interest payable		18,678	1,664	18,678	1,664
		<u>1,518,678</u>	<u>1,501,664</u>	<u>1,518,678</u>	<u>1,501,664</u>
Less: Unamortised discounts		(905)	(1,027)	(905)	(1,027)
		<u>1,517,773</u>	<u>1,500,637</u>	<u>1,517,773</u>	<u>1,500,637</u>
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(e)	400,000	400,000	-	-
Add: Profit payable		5,576	736	-	-
		<u>405,576</u>	<u>400,736</u>	<u>-</u>	<u>-</u>
Less: Unamortised discounts		(382)	(431)	-	-
		<u>405,194</u>	<u>400,305</u>	<u>-</u>	<u>-</u>
RM500 million Tier 2 subordinated notes, at par	(f)	500,000	500,000	500,000	500,000
Add: Interest payable		6,575	526	6,575	526
		<u>506,575</u>	<u>500,526</u>	<u>506,575</u>	<u>500,526</u>
Less: Unamortised discounts		(887)	(1,006)	(887)	(1,006)
		<u>505,688</u>	<u>499,520</u>	<u>505,688</u>	<u>499,520</u>
		<u>3,952,093</u>	<u>4,619,812</u>	<u>3,546,899</u>	<u>4,219,507</u>

(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.

On 10 August 2015, HLB had fully redeemed the RM700.0 million nominal value of Tier 2 Sub Debt bearing coupon rate of 4.85% per annum.

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**A17 Tier 2 subordinated bonds (continued)**

- (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.

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.

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

	<b><u>The Group and The Bank</u></b>	
	<b><u>30/09/2015</u></b>	<b><u>30/06/2015</u></b>
	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>
RM1.4 billion Non-Innovative Tier 1 stapled securities, at par	1,400,000	1,400,000
Add: Interest payable	28,861	11,040
	<u>1,428,861</u>	<u>1,411,040</u>
Less: Unamortised discounts	(87)	(171)
	<u>1,428,774</u>	<u>1,410,869</u>

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

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

**A19 Innovative Tier 1 capital securities**

	<b><u>The Group and The Bank</u></b>	
	<b><u>30/09/2015</u></b>	<b><u>30/06/2015</u></b>
	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>
RM500 million Innovative Tier 1 capital securities at par	500,000	500,000
Add: Interest payable	2,372	12,771
	<u>502,372</u>	<u>512,771</u>
Less: Unamortised discounts	(6,937)	(7,367)
Fair value adjustments on completion of business combination accounting	22,012	24,819
	<u>517,447</u>	<u>530,223</u>

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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**A20 Interest income**

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Loan, advances and financing	1,149,920	1,077,100	1,149,920	1,077,100
Money at call and deposit placements with financial institutions	34,055	97,820	34,055	97,820
Securities purchased under resale agreements	54,055	33,526	54,055	33,526
Financial assets held-for-trading	116,763	134,605	116,763	134,605
Financial investments available-for-sale	121,186	94,507	121,186	94,507
Financial investments held-to-maturity	73,821	64,837	73,821	64,837
Others	55	110	55	110
	<u>1,549,855</u>	<u>1,502,505</u>	<u>1,549,855</u>	<u>1,502,505</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>13,325</u>	<u>13,260</u>	<u>13,325</u>	<u>13,260</u>

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Loan, advances and financing	1,136,991	1,069,036	1,136,991	1,069,036
Money at call and deposit placements with financial institutions	34,448	101,003	34,448	101,003
Securities purchased under resale agreements	54,055	33,526	54,055	33,526
Financial assets held-for-trading	123,996	137,110	123,996	137,110
Financial investments available-for-sale	118,786	87,303	118,786	87,303
Financial investments held-to-maturity	75,589	67,919	75,589	67,919
Others	52	105	52	105
	<u>1,543,917</u>	<u>1,496,002</u>	<u>1,543,917</u>	<u>1,496,002</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>13,325</u>	<u>13,260</u>	<u>13,325</u>	<u>13,260</u>

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**A21 Interest expense**

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Deposits and placements of banks and other financial institutions	11,683	17,750	11,683	17,750
Deposits from customers	714,175	621,628	714,175	621,628
Short-term placements	71,711	51,064	71,711	51,064
Senior bonds	21,883	17,392	21,883	17,392
Tier 2 subordinated bonds	44,235	52,638	44,235	52,638
Non-innovative Tier 1 stapled securities	17,904	18,017	17,904	18,017
Innovative Tier 1 capital securities	8,019	7,306	8,019	7,306
Others	288	1,311	288	1,311
	<u>889,898</u>	<u>787,106</u>	<u>889,898</u>	<u>787,106</u>

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Deposits and placements of banks and other financial institutions	14,617	20,391	14,617	20,391
Deposits from customers	719,860	625,239	719,860	625,239
Short-term placements	71,711	51,064	71,711	51,064
Senior bonds	21,883	17,392	21,883	17,392
Tier 2 subordinated bonds	44,228	52,638	44,228	52,638
Non-innovative Tier 1 stapled securities	17,904	18,017	17,904	18,017
Innovative Tier 1 capital securities	8,019	7,306	8,019	7,306
Others	288	1,311	288	1,311
	<u>898,510</u>	<u>793,358</u>	<u>898,510</u>	<u>793,358</u>

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**A22 Net income from Islamic Banking business**

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2015 RM'000	30/09/2014 RM'000	30/09/2015 RM'000	30/09/2014 RM'000
<b>Group</b>				
Income derived from investment of depositors' funds and others	232,960	222,354	232,960	222,354
of which Finance income	233,734	220,851	233,734	220,851
of which other operating income	(774)	1,503	(774)	1,503
Income derived from investment of shareholders' funds	32,414	21,671	32,414	21,671
of which Finance income	17,593	19,205	17,593	19,205
of which other operating income	14,821	2,466	14,821	2,466
Income attributable to depositors	(150,842)	(133,976)	(150,842)	(133,976)
	<u>114,532</u>	<u>110,049</u>	<u>114,532</u>	<u>110,049</u>

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**A23 Other operating income**

<u>Group</u>	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
	RM'000	RM'000	RM'000	RM'000
(a) <u>Fee income:</u>				
Commissions	36,868	40,183	36,868	40,183
Service charges and fees	9,988	11,396	9,988	11,396
Guarantee fees	3,535	5,425	3,535	5,425
Credit card related fees	58,775	55,419	58,775	55,419
Corporate advisory fees	428	228	428	228
Commitment fees	8,773	9,199	8,773	9,199
Fee on loans, advances and financing	12,915	14,420	12,915	14,420
Other fee income	9,575	7,891	9,575	7,891
	<u>140,857</u>	<u>144,161</u>	<u>140,857</u>	<u>144,161</u>
(b) <u>(Loss)/gain arising from sale of financial assets:</u>				
Net (loss)/gain from sale of financial assets held-for-trading	(6,430)	4,987	(6,430)	4,987
Net loss from sale of derivative financial instruments	(14,730)	(3,112)	(14,730)	(3,112)
Net gain from sale of financial investments available-for-sale	3,082	26,379	3,082	26,379
Net gain from redemption of financial investments held-to-maturity	17	74	17	74
	<u>(18,061)</u>	<u>28,328</u>	<u>(18,061)</u>	<u>28,328</u>
(c) <u>Gross dividend income from:</u>				
Financial investments available-for-sale	<u>32,358</u>	<u>23,205</u>	<u>32,358</u>	<u>23,205</u>

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**A23 Other operating income (continued)**

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2015 RM'000	30/09/2014 RM'000	30/09/2015 RM'000	30/09/2014 RM'000
(d) <u>Net unrealised gain on revaluation of:</u>				
- Financial assets held-for-trading	(1,774)	808	(1,774)	808
- Derivatives financial instruments	39,489	14,056	39,489	14,056
	<u>37,715</u>	<u>14,864</u>	<u>37,715</u>	<u>14,864</u>
(e) <u>Amortisation of fair value changes arising from terminated fair value hedges</u>	<u>(251)</u>	<u>(1,476)</u>	<u>(251)</u>	<u>(1,476)</u>
(f) <u>Other income:</u>				
Foreign exchange gain/(loss)	50,285	(26,740)	50,285	(26,740)
Rental income	954	1,349	954	1,349
Gain on disposal of property and equipment (net)	12	1,283	12	1,283
Other non-operating income	4,878	4,136	4,878	4,136
	<u>56,129</u>	<u>(19,972)</u>	<u>56,129</u>	<u>(19,972)</u>
Total other operating income	<u>248,747</u>	<u>189,110</u>	<u>248,747</u>	<u>189,110</u>

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**A23 Other operating income (continued)**

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2015 RM'000	30/09/2014 RM'000	30/09/2015 RM'000	30/09/2014 RM'000
<b>Bank</b>				
(a) <u>Fee income:</u>				
Commissions	36,513	40,037	36,513	40,037
Service charges and fees	9,884	11,307	9,884	11,307
Guarantee fees	3,518	5,406	3,518	5,406
Credit card related fees	58,775	55,419	58,775	55,419
Corporate advisory fees	428	228	428	228
Commitment fees	8,711	9,183	8,711	9,183
Fee on loans, advances and financing	12,231	14,186	12,231	14,186
Other fee income	9,541	7,859	9,541	7,859
	<u>139,601</u>	<u>143,625</u>	<u>139,601</u>	<u>143,625</u>
(b) <u>(Loss)/gain arising from sale of financial assets:</u>				
Net (loss)/gain from sale of financial assets held-for-trading	(6,430)	4,987	(6,430)	4,987
Net loss from sale of derivative financial instruments	(14,730)	(3,112)	(14,730)	(3,112)
Net gain from sale of financial investments available-for-sale	3,082	20,734	3,082	20,734
Net gain from redemption of financial investments held-to-maturity	17	74	17	74
	<u>(18,061)</u>	<u>22,683</u>	<u>(18,061)</u>	<u>22,683</u>
(c) <u>Gross dividend income from:</u>				
Subsidiary companies	-	13,353	-	13,353
Investment in joint venture	5,145	-	5,145	-
Financial investments available-for-sale	32,358	23,205	32,358	23,205
	<u>37,503</u>	<u>36,558</u>	<u>37,503</u>	<u>36,558</u>

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**A23 Other operating income (continued)**

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2015 RM'000	30/09/2014 RM'000	30/09/2015 RM'000	30/09/2014 RM'000
(d) <u>Net unrealised gain on revaluation of:</u>				
- Financial assets held-for-trading	(1,774)	808	(1,774)	808
- Derivatives financial instruments	39,489	14,056	39,489	14,056
	<u>37,715</u>	<u>14,864</u>	<u>37,715</u>	<u>14,864</u>
(e) <u>Amortisation of fair value changes arising from terminated fair value hedges</u>	<u>(251)</u>	<u>(1,216)</u>	<u>(251)</u>	<u>(1,216)</u>
(f) <u>Other income:</u>				
Foreign exchange gain/(loss)	49,875	(26,661)	49,875	(26,661)
Rental income	954	1,349	954	1,349
Gain on disposal of property and equipment (net)	12	1,283	12	1,283
Other non-operating income	4,813	3,990	4,813	3,990
	<u>55,654</u>	<u>(20,039)</u>	<u>55,654</u>	<u>(20,039)</u>
Total other operating income	<u>252,161</u>	<u>196,475</u>	<u>252,161</u>	<u>196,475</u>

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**A24 Other operating expenses**

<b>Group</b>	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/09/2015 RM'000</b>	<b>30/09/2014 RM'000</b>	<b>30/09/2015 RM'000</b>	<b>30/09/2014 RM'000</b>
<b>Personnel costs</b>				
- Salaries, allowances and bonuses	233,405	218,395	233,405	218,395
- Medical expenses	7,123	5,534	7,123	5,534
- Training and convention expenses	7,535	4,535	7,535	4,535
- Staff welfare	1,870	2,150	1,870	2,150
- Others	8,670	5,182	8,670	5,182
	<u>258,603</u>	<u>235,796</u>	<u>258,603</u>	<u>235,796</u>
<b>Establishment costs</b>				
- Depreciation of property and equipment	18,794	17,507	18,794	17,507
- Amortisation of intangible assets	17,820	17,192	17,820	17,192
- Rental of premises	21,837	19,132	21,837	19,132
- Information technology expenses	27,966	27,131	27,966	27,131
- Security services	6,809	6,390	6,809	6,390
- Electricity, water and sewerage	5,840	6,507	5,840	6,507
- Hire of plant and machinery	3,684	3,242	3,684	3,242
- Others	4,710	5,676	4,710	5,676
	<u>107,460</u>	<u>102,777</u>	<u>107,460</u>	<u>102,777</u>
<b>Marketing expenses</b>				
- Advertisement and publicity	5,374	5,417	5,374	5,417
- Credit card related fees	28,996	25,705	28,996	25,705
- Others	4,009	3,767	4,009	3,767
	<u>38,379</u>	<u>34,889</u>	<u>38,379</u>	<u>34,889</u>
<b>Administration and general expenses</b>				
- Teletransmission expenses	3,182	3,147	3,182	3,147
- Stationery and printing expenses	3,709	4,296	3,709	4,296
- Professional fees	16,237	18,873	16,237	18,873
- Insurance fees	8,730	9,711	8,730	9,711
- Stamp, postage and courier	5,828	4,805	5,828	4,805
- Travelling and transport expenses	996	1,443	996	1,443
- Registration and license fees	2,287	1,148	2,287	1,148
- Brokerage and commission	1,486	1,897	1,486	1,897
- Credit card fees	9,096	7,136	9,096	7,136
- Others	6,748	3,221	6,748	3,221
	<u>58,299</u>	<u>55,677</u>	<u>58,299</u>	<u>55,677</u>
	<u>462,741</u>	<u>429,139</u>	<u>462,741</u>	<u>429,139</u>



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**A24 Other operating expenses (continued)**

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	195,747	183,113	195,747	183,113
- Medical expenses	6,086	4,643	6,086	4,643
- Training and convention expenses	6,915	4,152	6,915	4,152
- Staff welfare	1,515	1,760	1,515	1,760
- Others	7,190	4,199	7,190	4,199
	<u>217,453</u>	<u>197,867</u>	<u>217,453</u>	<u>197,867</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	17,294	16,632	17,294	16,632
- Amortisation of intangible assets	17,092	16,276	17,092	16,276
- Rental of premises	18,145	17,594	18,145	17,594
- Information technology expenses	25,258	23,090	25,258	23,090
- Security services	5,465	5,460	5,465	5,460
- Electricity, water and sewerage	5,062	6,194	5,062	6,194
- Hire of plant and machinery	3,532	2,804	3,532	2,804
- Others	1,538	309	1,538	309
	<u>93,386</u>	<u>88,359</u>	<u>93,386</u>	<u>88,359</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	4,355	4,589	4,355	4,589
- Credit card related fees	28,996	25,705	28,996	25,705
- Others	3,347	3,483	3,347	3,483
	<u>36,698</u>	<u>33,777</u>	<u>36,698</u>	<u>33,777</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,088	3,070	3,088	3,070
- Stationery and printing expenses	3,572	4,158	3,572	4,158
- Professional fees	15,869	18,536	15,869	18,536
- Insurance fees	7,848	8,543	7,848	8,543
- Stamp, postage and courier	5,776	4,782	5,776	4,782
- Travelling and transport expenses	743	1,117	743	1,117
- Registration and license fees	1,869	1,060	1,869	1,060
- Brokerage and commission	933	1,548	933	1,548
- Credit card fees	9,096	7,136	9,096	7,136
- Others	6,849	4,157	6,849	4,157
	<u>55,643</u>	<u>54,107</u>	<u>55,643</u>	<u>54,107</u>
	<u>403,180</u>	<u>374,110</u>	<u>403,180</u>	<u>374,110</u>

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**A25 Allowance for/(write back of) impairment losses on loans, advances and financing**

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Allowance for/(write back of) impairment losses on loans, advances and financing:				
- collective assessment allowance	75,224	55,502	75,224	55,502
- individual assessment allowance	(5,419)	(9,377)	(5,419)	(9,377)
Impaired loans and financing:				
- written off	3,269	7,823	3,269	7,823
- recovered from bad debt written off	(49,097)	(68,848)	(49,097)	(68,848)
	<u>23,977</u>	<u>(14,900)</u>	<u>23,977</u>	<u>(14,900)</u>

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Allowance for/(write back of) impairment losses on loans, advances and financing:				
- collective assessment allowance	60,609	51,660	60,609	51,660
- individual assessment allowance	(6,096)	(14,042)	(6,096)	(14,042)
Impaired loans and financing:				
- written off	2,865	7,098	2,865	7,098
- recovered from bad debt written off	(43,943)	(62,692)	(43,943)	(62,692)
	<u>13,435</u>	<u>(17,976)</u>	<u>13,435</u>	<u>(17,976)</u>

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**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE 3-MONTH  
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**HONG LEONG BANK BERHAD  
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**A26 Capital adequacy**

The Group's and the Bank's regulatory capital is governed by BNM Capital Adequacy Framework guidelines. With effect from 1 January 2013, the capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework issued on 28 November 2012. The Framework sets out the approach for computing the regulatory capital adequacy ratios, as well as the levels of the ratios at which banking institutions are required to operate. The Framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. In line with the transitional arrangements under the BNM's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for common equity Tier I (CET I) capital ratio and Tier I capital ratio are 4.50% (2014: 4.00%) and 6.00% (2014: 5.50%) respectively for year 2015. The minimum regulatory capital adequacy requirement remains at 8.00% (2014: 8.00%) for total capital ratio.

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

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>Financial Period Ended</b>	<b>Financial Year Ended</b>	<b>Financial Period Ended</b>	<b>Financial Year Ended</b>
	<b>30/09/2015</b>	<b>30/06/2015</b>	<b>30/09/2015</b>	<b>30/06/2015</b>
<b>Before deducting proposed dividends</b>				
CET I capital ratio	10.923%	11.147%	9.411%	9.861%
Tier I capital ratio	12.029%	12.297%	10.678%	11.179%
Total capital ratio	<u>14.097%</u>	<u>14.715%</u>	<u>13.594%</u>	<u>14.226%</u>
<b>After deducting proposed dividends</b>				
CET I capital ratio	10.541%	10.750%	8.973%	9.406%
Tier I capital ratio	11.647%	11.900%	10.241%	10.724%
Total capital ratio	<u>13.716%</u>	<u>14.318%</u>	<u>13.157%</u>	<u>13.771%</u>

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**A26 Capital adequacy (continued)**

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

	The Group		The Bank	
	Financial Period Ended 30/09/2015 RM'000	Financial Year Ended 30/06/2015 RM'000	Financial Period Ended 30/09/2015 RM'000	Financial Year Ended 30/06/2015 RM'000
<b>CET I capital</b>				
Paid-up share capital	1,879,909	1,879,909	1,879,909	1,879,909
Share premium	2,872,183	2,872,183	2,872,183	2,872,183
Retained profits	7,661,744	7,819,514	5,506,846	5,653,204
Other reserves	4,969,591	4,363,914	3,299,439	3,219,396
Less: Treasury shares	(662,745)	(648,588)	(662,745)	(648,588)
Less: Other intangible assets	(309,569)	(318,107)	(292,756)	(302,801)
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)
Less : Investment in subsidiary companies/ associated company/joint venture	(1,446,024)	(1,242,626)	(955,378)	(952,672)
<b>Total CET I capital</b>	<b>13,133,777</b>	<b>12,894,887</b>	<b>9,875,951</b>	<b>9,949,084</b>
<b>Additional Tier I capital</b>				
Non-innovative Tier I stapled securities	980,000	980,000	980,000	980,000
Innovative Tier I capital securities	350,000	350,000	350,000	350,000
<b>Total additional Tier I capital</b>	<b>1,330,000</b>	<b>1,330,000</b>	<b>1,330,000</b>	<b>1,330,000</b>
<b>Total Tier I capital</b>	<b>14,463,777</b>	<b>14,224,887</b>	<b>11,205,951</b>	<b>11,279,084</b>
<b>Tier II capital</b>				
Collective assessment allowance ^ and regulatory reserves #	1,157,771	1,109,877	994,829	951,123
Subordinated bonds	3,498,822	3,552,000	3,498,822	3,552,000
<b>Tier II capital before regulatory adjustments</b>	<b>4,656,593</b>	<b>4,661,877</b>	<b>4,493,651</b>	<b>4,503,123</b>
Less: Regulatory adjustments				
Investment in subsidiary companies	-	-	(819,126)	(815,066)
Investment in associated company	(2,080,567)	(1,786,666)	(567,915)	(567,915)
Investment in joint venture	(88,469)	(77,274)	(46,027)	(46,027)
<b>Total Tier II capital</b>	<b>2,487,557</b>	<b>2,797,937</b>	<b>3,060,583</b>	<b>3,074,115</b>
<b>Total capital</b>	<b>16,951,334</b>	<b>17,022,824</b>	<b>14,266,534</b>	<b>14,353,199</b>

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

# Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM440,823,000 (2015: RM388,112,000) and RM386,689,000 (2015: RM334,138,000) respectively.

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**A26 Capital adequacy (continued)**

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

	The Group		The Bank	
	Financial Period Ended 30/09/2015 RM'000	Financial Year Ended 30/06/2015 RM'000	Financial Period Ended 30/09/2015 RM'000	Financial Year Ended 30/06/2015 RM'000
Credit risk	108,769,801	105,009,787	94,187,094	91,202,163
Market risk	3,919,421	3,052,311	4,108,444	3,065,215
Operational risk	7,554,581	7,620,076	6,649,308	6,627,632
Total RWA	<u>120,243,803</u>	<u>115,682,174</u>	<u>104,944,846</u>	<u>100,895,010</u>

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

	Hong Leong Islamic Bank Berhad	
	Financial Period Ended 30/09/2015	Financial Year Ended 30/06/2015
<b>Before deducting proposed dividends</b>		
CET I capital ratio	10.844%	11.323%
Tier I capital ratio	10.844%	11.323%
Total capital ratio	<u>14.645%</u>	<u>15.240%</u>
<b>After deducting proposed dividends</b>		
CET I capital ratio	10.776%	11.253%
Tier I capital ratio	10.776%	11.253%
Total capital ratio	<u>14.577%</u>	<u>15.170%</u>

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

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

The various business segments are described below:

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

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

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

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

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

**Financial quarter ended 30/09/2015**

	<b>Personal Financial Services RM'000</b>	<b>Business &amp; Corporate Banking RM'000</b>	<b>Global Markets RM'000</b>	<b>Overseas/ International Operations RM'000</b>	<b>Others and Inter-Segment Elimination RM'000</b>	<b>Total RM'000</b>
<b><u>By business segment</u></b>						
External revenue	656,827	111,014	316,070	52,477	(113,152)	1,023,236
Inter-segment revenue	(63,645)	127,484	(189,383)	-	125,544	-
Segment revenue	<u>593,182</u>	<u>238,498</u>	<u>126,687</u>	<u>52,477</u>	<u>12,392</u>	<u>1,023,236</u>
Segment profit before taxation	248,643	184,363	101,410	3,774	1,177	539,367
Share of profit after tax of equity accounted associated company				80,406		80,406
Share of profit after tax of equity accounted joint venture				5,061		5,061
Profit before taxation						<u>624,834</u>
Taxation						<u>(121,873)</u>
Profit after taxation						<u><u>502,961</u></u>

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE 3-MONTH  
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**A27 Group segmental reporting on revenue, profit and assets (continued)**
**Financial period ended 30/09/2015**

	<b>Personal Financial Services RM'000</b>	<b>Business &amp; Corporate Banking RM'000</b>	<b>Global Markets RM'000</b>	<b>Overseas/ International Operations RM'000</b>	<b>Others and Inter-Segment Elimination RM'000</b>	<b>Total RM'000</b>
<b><u>By business segment</u></b>						
External revenue	656,827	111,014	316,070	52,477	(113,152)	1,023,236
Inter-segment revenue	(63,645)	127,484	(189,383)	-	125,544	-
Segment revenue	<u>593,182</u>	<u>238,498</u>	<u>126,687</u>	<u>52,477</u>	<u>12,392</u>	<u>1,023,236</u>
Segment profit before taxation	248,643	184,363	101,410	3,774	1,177	539,367
Share of profit after tax of equity accounted associated company				80,406		80,406
Share of profit after tax of equity accounted joint venture				5,061		5,061
Profit before taxation						<u>624,834</u>
Taxation						<u>(121,873)</u>
Profit after taxation						<u>502,961</u>
Segment assets	78,976,174	31,588,245	55,326,926	10,933,368	-	176,824,713
Unallocated assets						10,326,344
Total assets						<u>187,151,057</u>

**Corresponding quarter ended 30/09/2014**

	<b>Personal Financial Services RM'000</b>	<b>Business &amp; Corporate Banking RM'000</b>	<b>Global Markets RM'000</b>	<b>Overseas/ International Operations RM'000</b>	<b>Others and Inter-Segment Elimination RM'000</b>	<b>Total RM'000</b>
<b><u>By business segment</u></b>						
External revenue	630,711	140,199	318,876	49,061	(124,289)	1,014,558
Inter-segment revenue	(35,655)	92,626	(195,002)	-	138,031	-
Segment revenue	<u>595,056</u>	<u>232,825</u>	<u>123,874</u>	<u>49,061</u>	<u>13,742</u>	<u>1,014,558</u>
Segment profit before taxation	263,099	208,536	99,217	9,968	24,304	605,124
Share of profit after tax of equity accounted associated company				95,406		95,406
Share of profit after tax of equity accounted joint venture				3,405		3,405
Profit before taxation						<u>703,935</u>
Taxation						<u>(156,367)</u>
Profit after taxation						<u>547,568</u>

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

Corresponding financial period ended 30/09/2014

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Others and Inter-Segment Elimination RM'000	Total RM'000
<b>By business segment</b>						
External revenue	630,711	140,199	318,876	49,061	(124,289)	1,014,558
Inter-segment revenue	(35,655)	92,626	(195,002)	-	138,031	-
Segment revenue	595,056	232,825	123,874	49,061	13,742	1,014,558
Segment profit before taxation	263,099	208,536	99,217	9,968	24,304	605,124
Share of profit after tax of equity accounted associated company				95,406		95,406
Share of profit after tax of equity accounted joint venture				3,405		3,405
Profit before taxation						703,935
Taxation						(156,367)
Profit after taxation						547,568
Segment assets	71,669,106	28,492,785	61,717,501	7,953,294	-	169,832,686
Unallocated assets						8,486,574
Total assets						178,319,260

**A28 Property and equipment**

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

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

There are no material events subsequent to the end of the financial period ended 30 September 2015.

**A29(b) Changes in the composition of the Group**

There were no changes in the composition of the Group for the current financial period and up to the date of this report except for the following:

- (a) Promitol Sdn Bhd, a wholly-owned subsidiary of the Bank, was dissolved on 29 July 2015.



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**A30 Commitments and contingencies**

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. These commitments and contingencies are also not secured over the assets of the Group.

The notional amounts of the commitments and contingencies constitute the following:

	The Group		The Bank	
	30/09/2015 RM'000	30/06/2015 RM'000	30/09/2015 RM'000	30/06/2015 RM'000
<b>Principal Amount</b>				
Direct credit substitutes	206,954	212,983	205,867	211,578
Certain transaction related contingent items	1,594,420	1,606,465	1,501,680	1,508,972
Short-term self liquidating trade related contingencies	752,277	755,587	731,661	741,482
Irrevocable commitments to extend credit:				
- maturity more than one year	18,660,527	18,158,775	14,823,808	14,680,331
- maturity less than one year	18,028,278	17,262,934	16,246,008	15,610,783
Foreign exchange related contracts:				
- less than one year	30,181,082	31,118,946	29,328,839	30,203,845
- one year to less than five years	5,221,178	4,409,157	5,221,178	4,409,157
- five years and above	1,062,150	819,693	1,062,150	819,693
Interest rate related contracts:				
- less than one year	26,059,456	21,887,447	26,769,456	21,857,447
- one year to less than five years	40,011,286	42,671,138	39,271,286	42,386,138
- five years and above	1,933,651	2,129,631	1,933,651	2,129,631
Equity related contracts:				
- less than one year	384,130	360,330	384,130	360,330
- one year to less than five years	226,989	102,937	226,989	102,937
Commodity related contracts:				
- less than one year	4,508	1,471	4,508	1,471
- one year to less than five years	3,280	3,826	3,280	3,826
Unutilised credit card lines	7,493,066	7,426,036	7,493,066	7,426,036
<b>Total</b>	<b>151,823,232</b>	<b>148,927,356</b>	<b>145,207,557</b>	<b>142,453,657</b>

**A31 Related party transactions**

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

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**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE 3-MONTH  
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**HONG LEONG BANK BERHAD  
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(Incorporated in Malaysia)****A32 Fair value of financial instruments**

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

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

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

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

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

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

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

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

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

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**A32 Fair value of financial instruments (continued)**
**(a) Determination of fair value and fair value hierarchy (continued)**

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

	<b>The Group</b>			
	<b>Financial Period Ended 30/09/2015</b>			
	<b>Fair value</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><i>Recurring fair value measurements</i></b>				
<b><u>Financial Assets</u></b>				
Financial assets held-for-trading				
- Money market instrument	-	7,735,621	-	7,735,621
- Quoted Securities	426,719	-	-	426,719
- Unquoted Securities	-	326,199	-	326,199
Financial investments available-for-sale				
- Money market instrument	-	5,682,675	-	5,682,675
- Quoted Securities	11,156,030	-	-	11,156,030
- Unquoted Securities	-	6,078,207	395,555	6,473,762
Derivative financial instruments	42	2,221,269	9,867	2,231,178
	<u>11,582,791</u>	<u>22,043,971</u>	<u>405,422</u>	<u>34,032,184</u>
<b><u>Financial Liability</u></b>				
Derivative financial instruments	2,959	2,499,371	9,867	2,512,197
	<u>2,959</u>	<u>2,499,371</u>	<u>9,867</u>	<u>2,512,197</u>
	<b>The Group</b>			
	<b>Financial Year Ended 30/06/2015</b>			
	<b>Fair value</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><i>Recurring fair value measurements</i></b>				
<b><u>Financial Assets</u></b>				
Financial assets held-for-trading				
- Money market instrument	-	6,534,085	-	6,534,085
- Quoted Securities	379,216	-	-	379,216
- Unquoted Securities	-	218,133	-	218,133
Financial investments available-for-sale				
- Money market instrument	-	5,149,771	-	5,149,771
- Quoted Securities	9,055,856	-	-	9,055,856
- Unquoted Securities	-	5,706,839	394,887	6,101,726
Derivative financial instruments	42	1,417,935	6,952	1,424,929
	<u>9,435,114</u>	<u>19,026,763</u>	<u>401,839</u>	<u>28,863,716</u>
<b><u>Financial Liability</u></b>				
Derivative financial instruments	2,959	1,277,815	6,952	1,287,726
	<u>2,959</u>	<u>1,277,815</u>	<u>6,952</u>	<u>1,287,726</u>

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial period (30 June 2015: RM Nil).

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**A32 Fair value of financial instruments (continued)**
**(a) Determination of fair value and fair value hierarchy (continued)**

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

	<b>The Bank</b>			
	<b>Financial Period Ended 30/09/2015</b>			
	<b>Fair value</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><i>Recurring fair value measurements</i></b>				
<b><u>Financial Assets</u></b>				
<b>Financial assets held-for-trading</b>				
- Money market instrument	-	7,507,086	-	7,507,086
- Quoted Securities	426,719	-	-	426,719
- Unquoted Securities	-	326,199	-	326,199
<b>Financial investments available-for-sale</b>				
- Money market instrument	-	4,390,440	-	4,390,440
- Quoted Securities	10,971,018	-	-	10,971,018
- Unquoted Securities	-	5,315,722	395,555	5,711,277
Derivative financial instruments	42	2,185,515	9,867	2,195,424
	<u>11,397,779</u>	<u>19,724,962</u>	<u>405,422</u>	<u>31,528,163</u>
<b><u>Financial Liability</u></b>				
Derivative financial instruments	2,959	2,424,559	9,867	2,437,385

	<b>The Bank</b>			
	<b>Financial Year Ended 30/06/2015</b>			
	<b>Fair value</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><i>Recurring fair value measurements</i></b>				
<b><u>Financial Assets</u></b>				
<b>Financial assets held-for-trading</b>				
- Money market instrument	-	6,526,189	-	6,526,189
- Quoted Securities	379,216	-	-	379,216
- Unquoted Securities	-	218,133	-	218,133
<b>Financial investments available-for-sale</b>				
- Money market instrument	-	3,066,263	-	3,066,263
- Quoted Securities	8,896,320	-	-	8,896,320
- Unquoted Securities	-	5,012,968	394,887	5,407,855
Derivative financial instruments	42	1,414,577	6,952	1,421,571
	<u>9,275,578</u>	<u>16,238,130</u>	<u>401,839</u>	<u>25,915,547</u>
<b><u>Financial Liability</u></b>				
Derivative financial instruments	2,959	1,259,983	6,952	1,269,894

The Bank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial period (30 June 2015: RM Nil).

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**A32 Fair value of financial instruments (continued)**
**(a) Determination of fair value and fair value hierarchy (continued)**

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

The Group 2016	Financial Assets		Financial
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Liability Derivative financial instruments RM'000
At 1 July	394,887	6,952	6,952
Total losses recognised in statements of income	-	(3,325)	(3,325)
Net fair value changes recognised in other comprehensive income	668	-	-
Purchases	-	6,135	6,135
Disposal	-	105	105
At 30 September	<u>395,555</u>	<u>9,867</u>	<u>9,867</u>
Total losses recognised in statement of income relating to assets/liability held on 30 September 2015	<u>-</u>	<u>(3,325)</u>	<u>(3,325)</u>
Total gain recognised in other comprehensive income relating to assets held on 30 September 2015	<u>668</u>	<u>-</u>	<u>-</u>
The Bank 2016	Financial Assets	Derivative	Financial
	Financial investments available-for-sale RM'000	financial instruments RM'000	Liability Derivative financial instruments RM'000
At 1 July	394,887	6,952	6,952
Total losses recognised in statements income	-	(3,325)	(3,325)
Net fair value changes recognised in other comprehensive income	668	-	-
Purchases	-	6,135	6,135
Disposal	-	105	105
At 30 September	<u>395,555</u>	<u>9,867</u>	<u>9,867</u>
Total losses recognised in statement of income relating to assets/liability held on 30 September 2015	<u>-</u>	<u>(3,325)</u>	<u>(3,325)</u>
Total gain recognised in other comprehensive income relating to assets held on 30 September 2015	<u>668</u>	<u>-</u>	<u>-</u>

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**A32 Fair value of financial instruments (continued)**
**(a) Determination of fair value and fair value hierarchy (continued)**

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

The Group 2015	Financial Assets		Financial
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Liability Derivative financial instruments RM'000
At 1 July	367,316	-	-
Total losses recognised in statements of income	-	(480)	(480)
Net fair value changes recognised in other comprehensive income	27,596	-	-
Purchases	-	7,432	7,432
Disposal	(25)	-	-
At 30 June	<u>394,887</u>	<u>6,952</u>	<u>6,952</u>
Total losses recognised in statement of income relating to assets/liability held on 30 June 2015	<u>-</u>	<u>(480)</u>	<u>(480)</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2015	<u>27,596</u>	<u>-</u>	<u>-</u>
The Bank 2015	Financial Assets		Financial
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Liability Derivative financial instruments RM'000
At 1 July	367,269	-	-
Total losses recognised in statements income	-	(480)	(480)
Net fair value changes recognised in other comprehensive income	27,618	-	-
Purchases	-	7,432	7,432
At 30 June	<u>394,887</u>	<u>6,952</u>	<u>6,952</u>
Total losses recognised in statement of income relating to assets/liability held on 30 June 2015	<u>-</u>	<u>(480)</u>	<u>(480)</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2015	<u>27,618</u>	<u>-</u>	<u>-</u>

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**HONG LEONG BANK BERHAD  
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(Incorporated in Malaysia)****Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Securities****B1 Review of performance****Current Quarter vs. Previous Year Corresponding Quarter**

The Group recorded a pre-tax profit of RM624.8 million for the current financial quarter ended 30 September 2015, a decrease of RM79.1 million or 11.2% as compared to previous corresponding quarter. The decrease in pre-tax profit was mainly due to higher operating expenses of RM33.6 million, higher charge on allowance for impairment losses on loans, advances and financing of RM38.9 million coupled with lower share of profit from associated company and joint venture totaling RM13.3 million. This is offset marginally with higher net income of RM8.7 million.

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

**Personal Financial Services**

The Personal Financial Services' segment recorded a pre-tax profit of RM248.6 million for the 1st quarter ended September 2015 as compared to previous corresponding quarter of RM263.1 million. The decrease in pre-tax profit was mainly contributed by lower total income arising from margin compression, higher net loan impairment allowances arising from provisions relating to Reschedule & Restructure in accordance with BNM's classification policy and lower bad debt recoveries.

**Business and Corporate Banking**

The Business and Corporate Banking's segment recorded a pre-tax profit of RM184.4 million for the 1st quarter ended September 2015 as compared to previous corresponding quarter of RM208.5 million. Lower pre-tax profit was mainly due to lower writeback on collective assessment on loans, advances and financing.

**Global Markets**

The Global Market's segment recorded a pre-tax profit of RM101.4 million for the 1st quarter ended September 2015 as compared to previous corresponding quarter of RM99.2 million. The increase in pre-tax profit was due to higher forex and derivatives income arising from higher FX revaluation profit with USD strengthening against MYR that was favourable to our position coupled with increase in transactions from FX franchise business.

**International Banking**

The International Banking's segment recorded a pre-tax profit of RM89.2 million for the 1st quarter ended September 2015 as compared to previous corresponding quarter of RM108.8 million. The decline in performance was mainly contributed by lower share of profit from associated company and joint venture in China as they have experienced an unanticipated lending rates cut by their Central Bank and increase in impairment provisioning requirement, eroding their profit.

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**B2 Current Quarter vs. Preceding Quarter**

For the current financial quarter, the Group recorded a pre-tax profit of RM624.8 million as compared to RM672.5 million in the preceding quarter, a decrease of RM47.7 million arising from lower net income of RM17.6 million, lower write back of impairment losses from securities of RM7.1 million and lower share of profit from associated company and joint venture of RM30.8 million. This is however offset by lower operating expenses of RM8.2 million.

**B3 Current year prospects**

Growth outlook is expected to remain modest going into 2016, supported by moderate growth in domestic demand and a still soft external environment. 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.

The Group remains focused in executing our strategy 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 through multi-channel customer management to optimise customer experience. In the digital front, we remain focused on introducing new innovative features and products as part of our efforts to offer “Best-in-Class” digital platform and e-payment capabilities.

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

This note is not applicable to the Group.

**B5 Taxation**

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
	RM'000	RM'000	RM'000	RM'000
<b>The Group</b>				
Income tax	165,958	158,578	165,958	158,578
Transfer to deferred taxation	(44,085)	(2,211)	(44,085)	(2,211)
	<u>121,873</u>	<u>156,367</u>	<u>121,873</u>	<u>156,367</u>

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
	RM'000	RM'000	RM'000	RM'000
<b>The Bank</b>				
Income tax	152,658	140,600	152,658	140,600
Transfer to deferred taxation	(44,085)	(2,211)	(44,085)	(2,211)
	<u>108,573</u>	<u>138,389</u>	<u>108,573</u>	<u>138,389</u>



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**B6 Profit on sale of unquoted investments/properties**

There were no material gains or losses on disposal of unquoted investments (other than in the ordinary course of business) and/or properties for the financial period under review.

**B7 Purchase and disposal of quoted securities**

There were no purchase or disposal of quoted securities for the financial period under review other than those purchased or disposed in the ordinary course of business.

**B8 Status of corporate proposals**

There were no corporate proposals announced but not completed at the latest practicable date which was not earlier than 7 days from the issue of this report, other than as mentioned below:-

- (a) On 3 July 2015, the Bank announced that it had on 3 July 2015 entered into a conditional share sale agreement ("SSA") with Hong Leong Real Estate Holdings Sdn Bhd for the proposed acquisition of the entire issued and paid-up share capital of DC Tower Sdn Bhd ("DCT") for an indicative cash consideration of RM189,333,000, subject to adjustments (if any) pursuant to the terms of the SSA.

DCT is principally a property investment company, holding the development and ownership rights in respect of a 33-storey purpose-built stratified office building currently referred to as Office Tower A which is located within the on-going integrated development project known as Damansara City Kuala Lumpur.

- (b) On 12 August 2015, Hong Leong Investment Bank Berhad ("HLIB") announced on behalf of the Bank that the Bank proposed to undertake a renounceable rights issue of new ordinary shares of RM1.00 each in the Bank ("Rights Shares") to the Bank's shareholders to raise gross proceeds of up to RM3.0 billion ("HLB Rights Issue").

The HLB Rights Issue is conditional upon approvals being obtained from the following:

- (i) BNM, for the increase in the issued and paid-up share capital of the Bank pursuant to the HLB Rights Issue, which was obtained on 11 August 2015 via its letter dated 10 August 2015;
- (ii) Bursa Securities, for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities;
- (iii) the shareholders of the Bank at an extraordinary general meeting ("EGM"); and
- (iv) other relevant authorities/parties, if required.

Bursa Securities had, through its letter dated 10 September 2015, resolved to approve the listing of and quotation for up to 399,800,000 Rights Shares on the Main Market of Bursa Securities and the shareholders of the Bank had, at the EGM held on 29 September 2015, approved the HLB Rights Issue.

On 23 October 2015, HLIB, on behalf of the Bank, announced that the issue price for the Rights Shares had been fixed at RM10.40 each at an entitlement basis of 4 Rights Shares for every 25 existing ordinary shares of RM1.00 each ("HLB Shares") held by the Bank's entitled shareholders.

Based on 1,798,807,400 HLB Shares in issue (excluding treasury shares), the HLB Rights Issue will result in the issuance of 287,809,184 new HLB Shares, raising gross proceeds of approximately RM2,993.2 million.

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**B9 Off-balance sheet financial instruments**

Details of financial instruments with off-balance sheet risk as at 30 September 2015:

**The Group**

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
Forwards			
(i) Less than 1 year	21,406,999	1,119,831	(1,004,714)
(ii) 1 year to 3 years	126,384	16,919	-
Swaps			
(i) Less than 1 year	5,980,402	176,546	(181,949)
(ii) 1 year to 3 years	4,071,157	397,468	(493,660)
(iii) More than 3 years	2,085,787	134,089	(291,390)
Options			
(i) Less than 1 year	2,793,681	59,280	(48,423)
Interest rate related contracts			
Futures			
(i) Less than 1 year	4,850,676	3,947	(127)
(ii) 1 year to 3 years	56,742	-	(216)
Swaps			
(i) Less than 1 year	21,208,780	26,359	(33,231)
(ii) 1 year to 3 years	19,539,347	95,790	(107,305)
(iii) More than 3 years	22,348,848	190,019	(340,290)
Equity related contracts			
(i) Less than 1 year	384,130	5,369	(5,369)
(ii) 1 year to 3 years	226,989	4,497	(4,497)
Commodity related contracts			
(i) Less than 1 year	4,508	606	(583)
(ii) 1 year to 3 years	3,280	458	(443)
<b>Total</b>	<b>105,087,710</b>	<b>2,231,178</b>	<b>(2,512,197)</b>

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

Details of financial instruments with off-balance sheet risk as at 30 June 2015:

**The Group**

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
Forwards			
(i) Less than 1 year	23,707,594	766,526	(400,525)
(ii) 1 year to 3 years	98,423	2,110	-
Swaps			
(i) Less than 1 year	4,863,797	120,320	(111,200)
(ii) 1 year to 3 years	2,833,122	137,620	(216,453)
(iii) More than 3 years	2,297,305	136,315	(185,756)
Options			
(i) Less than 1 year	2,547,555	32,001	(26,254)
Interest rate related contracts			
Futures			
(i) Less than 1 year	8,776,870	146	(2,987)
(ii) 1 year to 3 years	48,832	-	(220)
Swaps			
(i) Less than 1 year	13,110,577	23,456	(24,403)
(ii) 1 year to 3 years	25,100,649	55,592	(66,360)
(iii) More than 3 years	19,651,288	143,586	(246,332)
Equity related contracts			
(i) Less than 1 year	360,330	3,075	(3,075)
(ii) 1 year to 3 years	102,937	3,877	(3,877)
Commodity related contracts			
(i) Less than 1 year	1,471	87	(81)
(ii) 1 year to 3 years	3,826	218	(203)
<b>Total</b>	<b>103,504,576</b>	<b>1,424,929</b>	<b>(1,287,726)</b>

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

Details of financial instruments with off-balance sheet risk as at 30 September 2015:

**The Bank**

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
<b>Foreign exchange related contracts</b>			
Forwards			
(i) Less than 1 year	20,568,458	1,105,112	(962,713)
(ii) 1 year to 3 years	126,384	16,919	-
Swaps			
(i) Less than 1 year	5,966,700	176,546	(181,829)
(ii) 1 year to 3 years	4,071,157	397,468	(493,660)
(iii) More than 3 years	2,085,787	134,089	(291,390)
Options			
(i) Less than 1 year	2,793,681	59,280	(48,423)
<b>Interest rate related contracts</b>			
Futures			
(i) Less than 1 year	4,850,676	3,947	(127)
(ii) 1 year to 3 years	56,742	-	(216)
Swaps			
(i) Less than 1 year	21,918,780	28,887	(35,767)
(ii) 1 year to 3 years	18,969,347	84,763	(96,367)
(iii) More than 3 years	22,178,848	177,483	(316,001)
<b>Equity related contracts</b>			
(i) Less than 1 year	384,130	5,369	(5,369)
(ii) 1 year to 3 years	226,989	4,497	(4,497)
<b>Commodity related contracts</b>			
(i) Less than 1 year	4,508	606	(583)
(ii) 1 year to 3 years	3,280	458	(443)
<b>Total</b>	<b>104,205,467</b>	<b>2,195,424</b>	<b>(2,437,385)</b>

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

Details of financial instruments with off-balance sheet risk as at 30 June 2015:

**The Bank**

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
Forwards			
(i) Less than 1 year	22,807,289	766,384	(388,406)
(ii) 1 year to 3 years	98,423	2,110	-
Swaps			
(i) Less than 1 year	4,849,001	120,320	(111,152)
(ii) 1 year to 3 years	2,833,122	137,620	(216,453)
(iii) More than 3 years	2,297,305	136,315	(185,756)
Options			
(i) Less than 1 year	2,547,555	32,001	(26,254)
Interest rate related contracts			
Futures			
(i) Less than 1 year	8,776,870	146	(2,987)
(ii) 1 year to 3 years	48,832	-	(220)
Swaps			
(i) Less than 1 year	13,080,577	23,398	(24,079)
(ii) 1 year to 3 years	24,780,649	52,915	(63,136)
(iii) More than 3 years	19,686,288	143,105	(244,215)
Equity related contracts			
(i) Less than 1 year	360,330	3,075	(3,075)
(ii) 1 year to 3 years	102,937	3,877	(3,877)
Commodity related contracts			
(i) Less than 1 year	1,471	87	(81)
(ii) 1 year to 3 years	3,826	218	(203)
<b>Total</b>	<b>102,274,475</b>	<b>1,421,571</b>	<b>(1,269,894)</b>

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**HONG LEONG BANK BERHAD  
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Foreign exchange, interest rate, equity and commodity related contracts are subject to market risk and credit risk.

**Market risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial period, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM2,268,150 (FYE June 2015: RM33,684,338) and RM67,725,525,668 (FYE June 2015: RM63,369,478,507) respectively.

Derivatives

Market risk arises from the impact on trading positions of changes in foreign exchange rates and interest rates. It also includes the impact from changes in the correlations and volatilities of other risk factors. The Group manages trading market risk in the course of market-making, structuring and packaging products for investors and other clients, as well as to benefit from market opportunities. The Group's market risk framework identifies the types of the market risk to be covered, the risk metrics and methodologies to be used to capture such risk and the standards governing the management of market risk within the Group including limit setting and independent model validation, monitoring and valuation. Management of derivatives risks is continually reviewed and enhanced to ensure that the complexities of the business are appropriately controlled.

**Credit risk**

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial period, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM2,399,721,291 (FYE June 2015: RM1,520,741,372). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Derivatives

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

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

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

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

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

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

**Liquidity risk***Derivatives*

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

**Related accounting policies**

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

*Fair value hedge*

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

*Cash flow hedge*

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

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(Incorporated in Malaysia)**

**B10 Material litigation**

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

**B11 Dividend**

No interim dividend has been proposed for the current quarter.

**B12 Realised and Unrealised Profits**

	<b>The Group</b>	
	<b>Financial Period Ended 30/09/2015</b>	<b>Financial Year Ended 30/06/2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained profits of Hong Leong Bank Berhad and subsidiaries		
- Realised	5,128,509	5,206,647
- Unrealised	1,347,503	1,010,241
	6,476,012	6,216,888
Total share of retained profits from associated company		
- Realised	1,785,167	1,704,761
Total share of retained profits from joint venture		
- Realised	34,831	29,770
	8,296,010	7,951,419
Less: Consolidation adjustment	(131,305)	(131,905)
Total Group's retained profits	8,164,705	7,819,514

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



**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE 3-MONTH  
FPE 30 SEPTEMBER 2015 (Cont'd)**
**HONG LEONG BANK BERHAD  
(97141-X)  
(Incorporated in Malaysia)**
**B13 Earnings per share**
**(a) Basic earnings per share**

Basic earnings per share from operations is calculated by dividing the net profit attributable to ordinary equity holders of the Bank after taxation by the weighted average number of ordinary shares in issue during the financial period, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares.

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2015 RM'000	30/09/2014 RM'000	30/09/2015 RM'000	30/09/2014 RM'000
<b><u>The Group</u></b>				
Net profit attributable to equity holders	502,961	547,568	502,961	547,568
Weighted average number of ordinary shares in issue ('000)	1,879,909	1,879,909	1,879,909	1,879,909
Less: Treasury shares held	(114,670)	(116,374)	(114,670)	(116,374)
	<u>1,765,239</u>	<u>1,763,535</u>	<u>1,765,239</u>	<u>1,763,535</u>
<b>Basic earnings per share (sen)</b>	28.5	31.0	28.5	31.0
<b><u>The Bank</u></b>				
Net profit attributable to equity holders	375,229	409,401	375,229	409,401
Weighted average number of ordinary shares in issue ('000)	1,879,909	1,879,909	1,879,909	1,879,909
Less: Treasury shares held	(114,670)	(116,374)	(114,670)	(116,374)
	<u>1,765,239</u>	<u>1,763,535</u>	<u>1,765,239</u>	<u>1,763,535</u>
<b>Basic earnings per share (sen)</b>	21.3	23.2	21.3	23.2

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR BANK FOR THE 3-MONTH  
FPE 30 SEPTEMBER 2015 (Cont'd)**
**HONG LEONG BANK BERHAD  
(97141-X)  
(Incorporated in Malaysia)**
**B13 Earnings per share (continued)**
**(b) Fully diluted earnings per share**

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

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2015 RM'000	30/09/2014 RM'000	30/09/2015 RM'000	30/09/2014 RM'000
<b><u>The Group</u></b>				
Net profit attributable to equity holders	502,961	547,568	502,961	547,568
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,765,239	1,763,535	1,765,239	1,763,535
- adjustment for ESOS	-	129	-	129
	<u>1,765,239</u>	<u>1,763,664</u>	<u>1,765,239</u>	<u>1,763,664</u>
<b>Fully diluted earnings per share (sen)</b>	<b>28.5</b>	<b>31.0</b>	<b>28.5</b>	<b>31.0</b>
<b><u>The Bank</u></b>				
Net profit attributable to equity holders	375,229	409,401	375,229	409,401
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,765,239	1,763,535	1,765,239	1,763,535
- adjustment for ESOS	-	129	-	129
	<u>1,765,239</u>	<u>1,763,664</u>	<u>1,765,239</u>	<u>1,763,664</u>
<b>Fully diluted earnings per share (sen)</b>	<b>21.3</b>	<b>23.2</b>	<b>21.3</b>	<b>23.2</b>

## DIRECTORS' REPORT



## Registered Office:

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

19 November 2015

To: **The Entitled Shareholders of Hong Leong Bank Berhad**

Dear Sir/ Madam,

On behalf of the Board of Directors of Hong Leong Bank Berhad ("HLB") ("**Board**"), I wish to report that, after due enquiry in relation to the period between 30 June 2015 (being the date to which the last audited financial statements of HLB and its subsidiaries ("**HLB Group**") have been made up) and the date hereof (being a date not earlier than 14 days before the date of issue of this Abridged Prospectus), that:

- (i) the business of HLB Group has, in the opinion of the Board, been satisfactorily maintained;
- (ii) in the opinion of the Board, no circumstances have arisen since the last audited financial statements of HLB Group which have adversely affected the trading or the value of the assets of HLB Group;
- (iii) the current assets of HLB Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) save as disclosed in this Abridged Prospectus, there are no other material contingent liabilities by reason of any guarantee or indemnity given by HLB Group;
- (v) since the last audited financial statements of HLB Group, there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/ or principal sums for any borrowings of HLB Group; and
- (vi) save as disclosed in this Abridged Prospectus, since the last audited financial statements of HLB Group, there has been no material change in the published reserves or any unusual factor affecting the profits of HLB Group.

Yours faithfully,  
For and on behalf of the Board of  
**HONG LEONG BANK BERHAD**

A handwritten signature in black ink, appearing to read 'Tan Kong Khoon', written over a horizontal line.

**TAN KONG KHOON**  
Group Managing Director/ Chief Executive Officer

**Hong Leong Bank Berhad** (97141-X)  
Secretarial Department  
Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur, Malaysia.  
Tel +603 2164 8228 Fax +603 2164 2503 Call Centre +603 7626 8899

[www.hlb.com.my](http://www.hlb.com.my)

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**FURTHER INFORMATION**

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**1. SHARE CAPITAL**

- (i) No other securities will be allotted or issued on the basis of this Abridged Prospectus later than 12 months after the date of issue of this Abridged Prospectus.
- (ii) As at the date of this Abridged Prospectus, there is only 1 class of shares in our Bank, namely ordinary shares of RM1.00 each, all of which rank *pari passu* with one another.
- (iii) Save as disclosed below, no person has been or is entitled to be granted an option to subscribe for any securities in our Bank as at the LPD:
  - (a) the Entitled Shareholders who shall be provisionally allotted with the Rights Shares pursuant to the Rights Issue; and
  - (b) the executives of our Bank or any of our subsidiaries ("**Member of our Group**") who have been confirmed in service and/ or Directors of a Member of our Group who are eligible to participate in the ESOS 2006/2016 and the ESS in accordance with the bye-laws of the ESOS 2006/2016 and the ESS respectively ("**Eligible Executives**").

Under the ESOS 2006/2016 and the ESS, the Eligible Executives may be offered options to subscribe for/ purchase such number of HLB Shares ("**Options**") at an exercise price to be determined, which shall not be at a discount of more than 10% (or such discount as the relevant authorities shall permit) from the 5-day VWAMP of the HLB Shares preceding the date of offer of the Option and shall in no event be less than the par value of the HLB Shares. Under the ESS, the Eligible Executives may also be offered grants comprising such number of HLB Shares without any consideration payable ("**Grants**").

The aggregate number of HLB Shares comprised in Options and/ or Grants under the ESOS 2006/2016, the ESS and any other executive share schemes established by our Bank that are still subsisting shall not exceed 10% of the total issued and paid-up ordinary share capital (excluding treasury shares) of our Bank at any one time.

As at the LPD, Options over 36,300,000 HLB Shares have been granted under the ESS at an exercise price of RM14.24 per HLB Share. These Options are subject to the achievement of certain performance criteria by the Option holders over a performance period concluding at the end of the FYE 30 June 2018. The achievement of the performance targets and the number of HLB Shares (if any) to be vested shall be determined at the end of the FYE 30 June 2018. The exercise period of the vested Options will be up to the 30th month from the vesting date to be determined.

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**FURTHER INFORMATION (Cont'd)**

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**2. DIRECTORS' REMUNERATION**

The following provisions in relation to the remuneration of our Directors are extracted from our Articles of Association. Terms defined in our Articles of Association shall have the same meanings when used herein unless they are otherwise defined herein or the context otherwise requires.

**Article 95 – Directors' fee**

*The fees of the Directors shall be determined from time to time by the Company in general meeting and such fees shall not be increased except pursuant to an ordinary resolution passed at a general meeting where notice of the proposed increase shall have been given in the notice convening the meeting. Such fees shall be divided amongst the Directors in such proportions and manner as they may agree. Such fees shall so far as a Director who is not an Executive Director is concerned be by way of a fixed sum and not by way of a commission on or percentage of profits or turnover, subject always however to the other provisions of these Articles. Salaries payable to Executive Directors may not include a commission on or a percentage of turnover.*

**Article 96 – Expense and extra remuneration**

- (1) *The Directors shall be entitled to be repaid all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.*
- (2) *Any Director who is appointed as an Executive Director or to any executive office or serves on any committee or who otherwise performs or renders services, which in the opinion of the majority of the Directors are outside his ordinary duties as a Director, may be paid such extra remuneration as the Directors may determine PROVIDED THAT such remuneration shall not include a commission on or percentage of turnover. Any extra remuneration payable to a Non-Executive Director shall not include a commission on or percentage of profits or turnover.*
- (3) *In these Articles, the expression "Executive Director" shall include the Chief Executive Officer or a Managing Director or a Director who is engaged substantially in the business of the Company or of any related company or partly in one and partly in another. The expression "related company" in these Articles shall include any company which is deemed to be related to the Company in terms of Section 6 of the Act or which in the opinion of the majority of the Directors can properly be otherwise regarded as being connected with the Company or its related company.*

**Article 104 – Remuneration of Executive Director**

*The remuneration of an Executive Director shall from time to time be fixed by the Directors and shall not include a commission on or percentage of turnover.*

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**FURTHER INFORMATION (Cont'd)**

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**3. CONSENTS**

- (i) The written consents of our Principal Adviser, Lead Arranger, Joint Global Coordinators, Lead Underwriter, Joint Underwriters, Solicitors, Company Secretary and Share Registrar for the Rights Issue for the inclusion of their names in the form and context in which they appear in this Abridged Prospectus, have been given and have not been subsequently withdrawn.
- (ii) The written consent from Messrs PricewaterhouseCoopers, being our Auditors and Reporting Accountants, for the inclusion of the pro forma consolidated statements of financial position of our Bank as at 30 June 2015 together with the Reporting Accountants' letter thereon, the auditors' report in relation to our audited consolidated financial statements for the FYE 30 June 2015 and references to its name in the form and context in which they appear in this Abridged Prospectus, has been given and has not been subsequently withdrawn.
- (iii) The written consent from Bloomberg Finance L.P. for the inclusion of its name as the source of historical share prices of our Bank and all references to them in the form and context in which they appear in this Abridged Prospectus, has been given and has not been subsequently withdrawn.

**4. MATERIAL CONTRACTS**

Save as disclosed below, there are no material contracts (not being the contracts entered into in the ordinary course of business) which have been entered into by our Group within the 2 years immediately preceding the date of this Abridged Prospectus:

- (i) the Management and Underwriting Agreement; and
- (ii) the letters in relation to the Undertakings dated 14 July 2015 respectively referred to in Section 3.1 of this Abridged Prospectus.

**5. MATERIAL LITIGATION**

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board, after having made all reasonable enquiries and to the best of their knowledge and belief, is not aware of any proceedings pending or threatened against our Group or of any facts likely to give rise to any proceedings, which might materially and adversely affect the business and financial position of our Group.

**6. GENERAL**

- (i) There are no existing or proposed service contracts between our Directors and our Bank or our subsidiaries, other than those which are expiring or determinable by the employing company without payment or compensation (other than statutory compensation) within 1 year from the date of this Abridged Prospectus.
- (ii) Save as disclosed in this Abridged Prospectus and to the best knowledge of our Board, the financial condition and operations of our Group are not affected by any of the following:
  - (a) material information including special trade factors or risks which is unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group;

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**FURTHER INFORMATION (Cont'd)**

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- (b) known trends, demands, commitments, events or uncertainties that will result in or are likely to materially increase or decrease our Group's liquidity;
- (c) material commitments for capital expenditure;
- (d) unusual, infrequent events or transactions or significant economic changes that materially affect the amount of reported income from our Group's operations; and
- (e) known trends or uncertainties that have had, or that our Group reasonably expects to have, a material favourable or unfavourable impact on our Group's revenue or operating income.

**7. OTHER CORPORATE EXERCISES ANNOUNCED BUT PENDING IMPLEMENTATION**

On 3 July 2015, our Bank entered into a conditional share sale agreement ("**SSA**") with Hong Leong Real Estate Holdings Sdn Bhd for the proposed acquisition of the entire issued and paid-up share capital of DC Tower Sdn Bhd for an indicative cash consideration of RM189,333,000, subject to adjustments (if any) pursuant to the terms of the SSA ("**Proposed Acquisition**"). The Proposed Acquisition is expected to be completed by the first quarter of 2016.

Save for the Proposed Acquisition and Rights Issue, there is no other outstanding corporate exercise which has been announced by our Bank but pending completion as at the LPD. The Rights Issue is not conditional upon the Proposed Acquisition and any other proposals undertaken by our Bank.

**8. DOCUMENTS FOR INSPECTION**

Copies of the following documents will be made available for inspection at our Registered Office at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur from Monday to Friday (excluding public holidays) during business hours for a period of 12 months from the date of this Abridged Prospectus:

- (i) our Memorandum and Articles of Association;
- (ii) our audited consolidated financial statements for the past 2 FYEs 30 June 2014 and 30 June 2015 and our unaudited consolidated interim financial statements for the 3-month FPE 30 September 2015;
- (iii) the pro forma consolidated statements of financial position of our Bank as at 30 June 2015 together with the Reporting Accountants' letter thereon as set out in Appendix III of this Abridged Prospectus;
- (iv) the Directors' Report as set out in Appendix VI of this Abridged Prospectus;
- (v) the letters of consent referred to in Section 3 of this Appendix; and
- (vi) the material contracts referred to in Section 4 of this Appendix.

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**FURTHER INFORMATION (Cont'd)**

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**9. RESPONSIBILITY STATEMENTS**

Our Directors have seen and approved the Documents and they collectively and individually accept full responsibility for the accuracy of the information given in the Documents and confirm that, after having made all reasonable enquiries and to the best of their 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 our Principal Adviser, Lead Arranger, Joint Global Coordinator, Lead Underwriter and Joint Underwriter 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.



**NOTICE OF PROVISIONAL ALLOTMENT OF RIGHTS SHARES**

THE PROVISIONAL RIGHTS SHARES (AS DEFINED BELOW) AS CONTAINED IN THIS NOTICE OF PROVISIONAL ALLOTMENT ("NPA") ARE PRESCRIBED SECURITIES PURSUANT TO SECTION 14(5) OF THE SECURITIES INDUSTRY (CENTRAL DEPOSITORIES) ACT 1991 ("SICDA") AND THEREFORE THE SICDA (INCLUDING ALL AMENDMENTS THEREOF) AND THE RULES OF BURSA MALAYSIA DEPOSITORY SDN BHD ("BURSA DEPOSITORY") SHALL APPLY IN RESPECT OF DEALINGS IN THE PROVISIONAL RIGHTS SHARES. TERMS DEFINED IN THE ABRIDGED PROSPECTUS DATED 27 NOVEMBER 2015 ("ABRIDGED PROSPECTUS") SHALL HAVE THE SAME MEANINGS WHEN USED IN THIS NPA UNLESS OTHERWISE STATED.



(Incorporated in Malaysia under the Companies Act 1965)

**RENOUNCEABLE RIGHTS ISSUE OF 287,809,184 NEW ORDINARY SHARES OF RM1.00 EACH IN HONG LEONG BANK BERHAD ("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 ("ENTITLEMENT DATE"), AT AN ISSUE PRICE OF RM10.40 PER RIGHTS SHARE ("RIGHTS ISSUE")**

*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)**

**To: The entitled shareholders of HLB**

Dear Sir/ Madam,

The Board of Directors of HLB ("Board") has provisionally allotted to you the number of Rights Shares as indicated below, in accordance with the approval of Bursa Malaysia Securities Berhad ("Bursa Securities") via its letter dated 10 September 2015 and the ordinary resolution passed by the shareholders of HLB at the extraordinary general meeting held on 29 September 2015.

We wish to advise that the Rights Shares provisionally allotted to you ("Provisional Rights Shares") in respect of the Rights Issue have been confirmed by Bursa Depository and will be credited into your Central Depository System ("CDS") account as stated below, subject to the terms and conditions as stated in the Abridged Prospectus and the accompanying rights subscription form.

The Provisional Rights Shares are made subject to the terms and conditions in the Abridged Prospectus. Bursa Securities has prescribed the securities of HLB listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Provisional Rights Shares are prescribed securities and as such, 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.

**ALL RIGHTS SHARES TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE WILL BE ALLOTTED BY WAY OF CREDITING THE RIGHTS SHARES INTO THE CDS ACCOUNTS OF THE SHAREHOLDERS ("ENTITLED SHAREHOLDERS") AND/ OR THEIR RENOUNCEE(S) AND/ OR TRANSFEREE(S) (IF APPLICABLE). NO PHYSICAL SHARE CERTIFICATES WILL BE ISSUED.**

It is the intention of the Board to allot the Rights Shares which are not taken up or not validly taken up by the Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) ("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 HLB 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.

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

NAME, ADDRESS AND CDS ACCOUNT NUMBER OF ENTITLED SHAREHOLDER		
NUMBER OF HLB SHARES HELD AS AT 5.00 P.M. ON 27 NOVEMBER 2015	NUMBER OF RIGHTS SHARES PROVISIONALLY ALLOTTED TO YOU	AMOUNT PAYABLE IN FULL UPON ACCEPTANCE AT RM10.40 PER RIGHTS SHARE (RM)

IMPORTANT RELEVANT DATES AND TIMES:	
Entitlement Date .....	: Friday, 27 November 2015 at 5.00 p.m.
<b>Last date and time for:</b>	
Sale of Provisional Rights Shares .....	: Friday, 4 December 2015 at 5.00 p.m.
Transfer of Provisional 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 the Board may decide and announce not less than 2 Market Days (as defined in the Abridged Prospectus) before the stipulated date and time.	

By Order of the Board

**CHRISTINE MOH SUAT MOI (MAICSA 7005095)**  
Company Secretary

Share Registrar:  
**HONG LEONG SHARE REGISTRATION SERVICES SDN BHD**  
Level 5, Wisma Hong Leong  
18 Jalan Perak, 50450 Kuala Lumpur  
Tel: 603 2164 1818  
Fax: 603 2164 3703

**RIGHTS SUBSCRIPTION FORM**

THIS RIGHTS SUBSCRIPTION FORM ("RSF") IS ISSUED FOR THE PURPOSE OF ACCEPTING THE PROVISIONAL RIGHTS SHARES (AS DEFINED BELOW) AND APPLYING FOR EXCESS RIGHTS SHARES (AS DEFINED BELOW) PURSUANT TO THE RIGHTS ISSUE (AS DEFINED BELOW) OF HONG LEONG BANK BERHAD ("HLB"). THE LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT AS WELL AS EXCESS APPLICATION AND PAYMENT IS 5.00 P.M. ON 14 DECEMBER 2015 OR SUCH LATER DATE AND TIME AS THE BOARD OF DIRECTORS OF HLB ("BOARD") MAY DECIDE AND ANNOUNCE NOT LESS THAN 2 MARKET DAYS BEFORE THE STIPULATED DATE AND TIME. THIS RSF IS ONLY APPLICABLE TO PERSONS WHO HAVE PROVISIONAL RIGHTS SHARES STANDING TO THE CREDIT OF THEIR CENTRAL DEPOSITORY SYSTEM ("CDS") ACCOUNTS.



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 ("ENTITLEMENT DATE"), AT AN ISSUE PRICE OF RM10.40 PER RIGHTS SHARE ("RIGHTS ISSUE")

**NAME AND ADDRESS**  
(in block letters as per the record of Bursa Malaysia Depository Sdn Bhd ("Bursa Depository"))

**NRIC NO./ PASSPORT NO.**  
(state country)/  
**COMPANY NO.#**

**CDS ACCOUNT NO.**

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To: The Board

**PART I – ACCEPTANCE OF RIGHTS SHARES AND APPLICATION FOR EXCESS RIGHTS SHARES**

In accordance with the terms of this RSF and the abridged prospectus of HLB dated 27 November 2015 ("Abridged Prospectus"), I/ we# hereby irrevocably:

- (a) #accept the number of Rights Shares provisionally allotted to me/ us# ("Provisional Rights Shares") as stated below, which were provisionally allotted/ renounced/ transferred to me/ us#; and/ or
  - (b) #apply for the number of excess Rights Shares ("Excess Rights Shares") as stated below in addition to my/ our# acceptance stated below,
- in accordance with and subject to the Memorandum and Articles of Association of HLB.

I/ We# enclose herewith the appropriate remittance(s) as stated below, being the full and exact amount payable for the Rights Shares accepted and/ or Excess Rights Shares applied for, and hereby request for the said Rights Shares and/ or Excess Rights Shares applied for to be credited into my/ our# CDS account as stated above:

	NO. OF PROVISIONAL RIGHTS SHARES ACCEPTED/ EXCESS RIGHTS SHARES APPLIED FOR	AMOUNT PAYABLE AT RM10.40 PER RIGHTS SHARE (RM)	BANKER'S DRAFT/ CASHIER'S ORDER/ MONEY ORDER/ POSTAL ORDER NO.	PAYABLE TO
(a) ACCEPTANCE				HLB RIGHTS SHARES ACCOUNT
(b) EXCESS				HLB EXCESS RIGHTS SHARES ACCOUNT

**Note: If you have subsequently purchased additional Provisional Rights Shares from the open market, you should indicate your acceptance of the total Provisional Rights Shares that you have standing to the credit of your CDS account under Part I(a).**

**PART II – DECLARATION**

I/ We# hereby confirm and declare that:

- (i) all information provided by me/ us# is true and correct;
- (ii) all information is identical with the information in the records of Bursa Depository and further agree and confirm that in the event the said information differs from Bursa Depository's record, the exercise of my/ our# rights may be rejected; and
  - \* I am 18 years of age or over and am not an undischarged bankrupt.
  - \* I am/ we are# resident(s) of Malaysia.
  - \* I am/ we are# resident(s) of ..... (country) and having ..... citizenship.
  - \* I am/ we are# nominee(s) of a person who is a Bumiputera/ non-Bumiputera/ non-citizen# resident in ..... (country) and having ..... citizenship.

I/ We# consent to HLB and the Share Registrar of HLB collecting the information and personal data (collectively "Data") required herein, to process and disclose such Data to any person for the purposes of implementing the Rights Issue and storing such Data in any servers located in Malaysia or outside Malaysia in accordance with the relevant laws and regulations.

I/ We# hereby accept all the terms and conditions set out in this RSF and the Abridged Prospectus and further confirm compliance with all requirements for acceptance and payment for the Provisional Rights Shares and/ or application and payment for the Excess Rights Shares as set out therein.

**AFFIX  
MALAYSIAN  
REVENUE STAMP  
OF RM10.00  
HERE**

\_\_\_\_\_ Date

\_\_\_\_\_  
Signature/ Authorised Signatory(ies)  
(Corporate bodies must affix their Common Seal)

\_\_\_\_\_ Contact telephone number during office hours

<b>LAST DATE AND TIME FOR:</b>	
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 the Board may decide and announce not less than 2 Market Days (as defined in the Abridged Prospectus) before the stipulated date and time.	

# Please delete whichever is not applicable.

NOTES AND INSTRUCTIONS FOR COMPLETING THIS RSF

**THIS RSF IS NOT A TRANSFERABLE OR NEGOTIABLE INSTRUMENT. IN ACCORDANCE WITH THE REQUIREMENTS OF THE CAPITAL MARKETS AND SERVICES ACT 2007, THIS RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THE ABRIDGED PROSPECTUS.**

**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.** All enquiries concerning the Rights Issue should be addressed to the Share Registrar of HLB, Hong Leong Share Registration Services Sdn Bhd, at Level 5, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur. **YOU SHOULD READ AND UNDERSTAND THE CONTENTS OF THE ABRIDGED PROSPECTUS TO WHICH THIS RSF RELATES BEFORE COMPLETING THIS RSF.**

Approval for the Rights Issue has been obtained from the shareholders of HLB at the 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. The listing of and quotation for the Rights Shares will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS accounts of the shareholders whose names appear in the Record of Depositors of HLB on the Entitlement Date ("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.

The Abridged Prospectus together with the notice of provisional allotment and this RSF (collectively referred to as 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 the Share Registrar of HLB 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 HLB, its 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 Rights Shares 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 the Abridged Prospectus has been registered with the Securities Commission Malaysia ("SC"). The registration of the 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 the 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.

The Board has seen and approved all the documentation relating to the Rights Issue including the Documents. The 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 the 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.

Unless otherwise stated, the unit of currency used in this RSF is Ringgit Malaysia (or "RM" in abbreviation). Terms defined in the Abridged Prospectus shall have the same meanings when used in this RSF, unless they are otherwise defined here or the context otherwise requires.

**INSTRUCTIONS:**

**(I) LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT**

This RSF is valid for acceptance until 5.00 p.m. on Monday, 14 December 2015 (or such later date and time as the Board may decide and announce not less than 2 Market Days before the stipulated date and time) ("Closing Date").

If acceptance and payment for the Provisional Rights Shares in the manner specified in this RSF are not received (whether in full or in part) by the Share Registrar of HLB, **Hong Leong Share Registration Services Sdn Bhd at Level 5, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur** by 5.00 p.m. on the Closing Date, 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 Provisional 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 taken up in the manner as set out below.

**(II) ACCEPTANCE OF RIGHTS SHARES**

If you wish to accept all or part of your Provisional Rights Shares, please complete Parts I(a) and II of this 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 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, to be received by the Share Registrar of HLB, Hong Leong Share Registration Services Sdn Bhd at the address set out above, before the Closing Date.

The remittance must be made for the exact amount payable for the Provisional Rights Shares accepted. Any acceptance accompanied by excess or insufficient remittances or remittances in the manner other than stated above may be rejected at the absolute discretion of the Board. No acknowledgement will be issued for the receipt of this RSF or the accompanying subscription monies in respect of the Rights Issue. However, if your subscription is successful, a notice of allotment will be despatched to you by ordinary post to the address shown in Bursa Depository's record at your own risk within 8 Market Days from the Closing Date or such other period as may be prescribed by Bursa Securities.

**(III) APPLICATION FOR EXCESS RIGHTS SHARES**

If you wish to apply for Excess Rights Shares in addition to your Provisional Rights Shares, please complete Part I(b) of this RSF (in addition to Parts I(a) and II). Each completed RSF must be accompanied by a separate remittance in RM for the full and exact amount payable in respect of the Excess Rights Shares applied for, 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 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, to be received by the Share Registrar of HLB, Hong Leong Share Registration Services Sdn Bhd at the address set out above, before the Closing Date.

The remittance must be made for the exact amount payable for the Excess Rights Shares applied for. Any application accompanied by excess or insufficient remittances or remittances in the manner other than stated above may be rejected at the absolute discretion of the Board. No acknowledgement will be issued for the receipt of this RSF or the accompanying application monies in respect of the Rights Issue. However, if your application for Excess Rights Shares is successful, a notice of allotment will be despatched to you by ordinary post to the address shown in Bursa Depository's record at your own risk within 8 Market Days from the Closing Date or such other period as may be prescribed by Bursa Securities.

In respect of unsuccessful or partially successful Excess Rights Shares applications, the full amount or the surplus of the application 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 Closing Date.

It is the intention of the 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:

- (a) firstly, to minimise the incidence of odd lots;
- (b) 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 HLB as at the Entitlement Date;
- (c) 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
- (d) 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.

Nevertheless, the Board reserves the right to allot any Excess Rights Shares applied for under Part I(b) of this RSF in such manner as the Board deems fit or expedient and in the best interest of HLB, subject always to such allocation being made on a fair and equitable basis and that the intention of the Board set out in (a) to (d) above is achieved. The Board also reserves the right not to accept any application for Excess Rights Shares, in full or in part, without assigning any reason thereof.

**(IV) SALE OR TRANSFER OF THE PROVISIONAL RIGHTS SHARES**

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 on 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 this RSF) to your stockbroker. However, you must ensure that you have 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 the Abridged Prospectus and this RSF from their stockbrokers, the Share Registrar of HLB, the Registered Office of HLB 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 completing Parts I(a) and II of this RSF.

**(V) GENERAL INSTRUCTIONS**

- (a) All applicants must sign on the front page of this RSF. All corporate bodies must affix their Common Seals.
- (b) A Malaysian Revenue Stamp (not postage stamp) of Ringgit Malaysia Ten (RM10.00) must be affixed on this RSF.
- (c) Any interest or other benefit accruing on or arising from or in connection with any subscription and/ or application monies shall be for the benefit of HLB and HLB shall not be under any obligation to account for such interest or other benefit to you.
- (d) The contract arising from your acceptance of the Provisional Rights Shares shall be governed by and construed in accordance with the laws of Malaysia and you shall be deemed to have irrevocably and unconditionally submitted to the exclusive jurisdiction of the courts of Malaysia in respect of any matter in connection with this RSF and the contract arising therefrom.
- (e) HLB reserves the right to accept or reject any acceptance and/ or application if the instructions stated above are not strictly adhered to or which are illegible.
- (f) The Rights Shares subscribed by the Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) will be credited into their respective CDS accounts as stated in this RSF or exact CDS accounts appearing on Bursa Depository's records.