

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

Condensed Financial Statements
Unaudited Statements of Financial Position As At 30 June 2014

	Note	The Group		The Bank	
		As at 30/06/2014 RM'000	As at 30/06/2013 RM'000	As at 30/06/2014 RM'000	As at 30/06/2013 RM'000
<u>ASSETS</u>					
Cash and short-term funds		14,712,789	18,047,448	13,629,775	16,719,258
Deposits and placements with banks and other financial institutions		4,040,276	5,928,370	4,020,983	6,729,056
Securities purchased under resale agreements		2,717,021	1,025,253	2,717,021	1,025,253
Financial assets held-for-trading	A8	11,314,476	15,195,782	10,132,834	12,106,928
Financial investments available-for-sale	A9	16,677,209	13,827,062	13,732,377	11,635,449
Financial investments held-to-maturity	A10	8,916,568	4,161,012	7,828,290	4,115,805
Loans, advances and financing	A11	102,579,076	95,430,961	87,873,449	81,835,734
Other assets	A12	497,237	888,600	434,542	794,510
Derivative financial instruments		687,441	877,144	670,325	939,409
Amount due from subsidiaries		-	-	11,437	616,487
Statutory deposits with Central Banks		3,150,642	3,432,909	2,591,500	2,917,000
Subsidiary companies		-	-	1,352,159	2,194,913
Investment in associated company		2,063,300	1,752,949	946,505	946,505
Investment in joint venture		90,080	79,945	76,711	76,711
Property and equipment		725,585	737,535	697,102	712,963
Intangible assets		347,791	369,415	335,319	362,855
Goodwill		1,831,312	1,831,312	1,771,547	1,771,547
Total Assets		170,350,803	163,585,697	148,821,876	145,500,383
<u>LIABILITIES AND SHAREHOLDERS' FUNDS</u>					
Deposits from customers	A13	130,252,337	123,637,070	114,098,835	109,168,631
Deposits and placements of banks and other financial institutions	A14	7,111,295	11,567,147	5,387,384	10,166,114
Obligations on securities sold under repurchase agreements		4,116,888	1,748,744	4,116,888	1,748,744
Bills and acceptances payable		358,732	800,680	327,899	656,892
Other liabilities	A15	4,251,037	3,266,447	3,284,182	2,880,272
Derivative financial instruments		790,415	954,187	760,406	1,011,249
Senior bonds	A16	1,936,207	1,902,171	1,936,207	1,902,171
Tier II subordinated bonds	A17	4,868,353	4,382,603	4,468,275	4,382,601
Non-innovative Tier 1 stapled securities	A18	1,410,252	1,408,992	1,410,252	1,408,992
Innovative Tier 1 capital securities	A19	541,767	556,042	541,767	556,042
Provision for taxation		49,581	213,555	24,364	165,974
Deferred tax liabilities		133,761	111,435	134,919	112,284
Total Liabilities		155,820,625	150,549,073	136,491,378	134,159,966
Share Capital		1,879,909	1,879,909	1,879,909	1,879,909
Reserves		13,295,848	11,818,524	11,096,168	10,122,317
Less: Treasury Shares		(645,579)	(661,809)	(645,579)	(661,809)
Total Shareholders' Equity		14,530,178	13,036,624	12,330,498	11,340,417
Total Liabilities and Equity		170,350,803	163,585,697	148,821,876	145,500,383
<u>COMMITMENTS AND CONTINGENCIES</u>	A30	193,135,411	159,578,751	186,995,685	158,249,385
Net asset per share attributable to ordinary equity holders of the parent (RM) *		8.24	7.41	7.00	6.44

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

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

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

Condensed Financial Statements
Unaudited Statements of Income
For The Financial Year Ended 30 June 2014

	Note	The Group			
		Current Quarter Ended 30/06/2014 RM'000	Corresponding Quarter Ended 30/06/2013 RM'000	Current Year Ended 30/06/2014 RM'000	Corresponding Year Ended 30/06/2013 RM'000
Interest income	A20	1,393,613	1,388,895	5,649,722	5,529,397
Interest expense	A21	(716,285)	(751,968)	(2,987,498)	(3,015,730)
Net interest income		677,328	636,927	2,662,224	2,513,667
Net income from Islamic Banking business	A22	104,229	107,275	434,379	454,887
Other operating income	A23	224,860	230,779	942,456	1,038,241
Net Income		1,006,417	974,981	4,039,059	4,006,795
Other operating expenses	A24	(467,125)	(494,586)	(1,792,213)	(1,847,025)
Operating profit before allowances		539,292	480,395	2,246,846	2,159,770
Allowance for impairment losses on loans, advances and financing	A25	(24,302)	(28,290)	(52,065)	(41,376)
Write back of impairment losses		744	2,458	39,815	7,474
Share of profit after tax of equity accounted associated company		515,734	454,563	2,234,596	2,125,868
		92,254	73,422	368,490	264,005
Share of profit after tax of equity accounted joint venture		2,966	1,268	10,135	3,074
Profit before taxation		610,954	529,253	2,613,221	2,392,947
Taxation	B5	(73,507)	(112,819)	(510,951)	(536,675)
Net profit for the financial year		537,447	416,434	2,102,270	1,856,272
Attributable to:					
Owners of the parent		537,447	416,434	2,102,270	1,856,272
Earnings per share - basic (sen)	B13(a)	30.5	23.7	119.4	105.8
Earnings per share - fully diluted (sen)	B13(b)	30.5	23.7	119.3	105.7

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

HONG LEONG BANK BERHAD
(97141-X)
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Condensed Financial Statements
Unaudited Statements of Comprehensive Income
For The Financial Year Ended 30 June 2014

	The Group			
	Current Quarter Ended 30/06/2014 RM'000	Corresponding Quarter Ended 30/06/2013 RM'000	Current Year Ended 30/06/2014 RM'000	Corresponding Year Ended 30/06/2013 RM'000
Net profit for the financial year	537,447	416,434	2,102,270	1,856,272
Other comprehensive income/(loss) :				
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive loss of associated company	(2,031)	-	(2,053)	(22)
Currency translation differences	(16,618)	9,744	7,657	7,028
Net fair value changes on financial investments available-for-sale	33,184	(54,967)	33,828	(39,629)
Income tax relating to components of other comprehensive (income)/loss	(8,296)	13,742	(8,457)	9,907
Other comprehensive income/(loss) for the financial year	6,239	(31,481)	30,975	(22,716)
Total comprehensive income for the financial year, net of tax	<u>543,686</u>	<u>384,953</u>	<u>2,133,245</u>	<u>1,833,556</u>
Attributable to:				
- Owners of the parent	<u>543,686</u>	<u>384,953</u>	<u>2,133,245</u>	<u>1,833,556</u>

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

HONG LEONG BANK BERHAD
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Condensed Financial Statements
Unaudited Statements of Income
For The Financial Year Ended 30 June 2014

	Note	The Bank			
		Current Quarter Ended 30/06/2014 RM'000	Corresponding Quarter Ended 30/06/2013 RM'000	Current Year Ended 30/06/2014 RM'000	Corresponding Year Ended 30/06/2013 RM'000
Interest income	A20	1,390,000	1,419,867	5,667,175	5,609,243
Interest expense	A21	(724,979)	(794,248)	(3,053,529)	(3,139,893)
Net interest income		665,021	625,619	2,613,646	2,469,350
Other operating income	A23	219,869	231,263	1,070,304	1,222,457
Net Income		884,890	856,882	3,683,950	3,691,807
Other operating expenses	A24	(411,686)	(440,421)	(1,573,637)	(1,630,340)
Operating profit before allowances		473,204	416,461	2,110,313	2,061,467
Allowance for impairment losses on loans, advances and financing	A25	(57,580)	(66,012)	(92,403)	(95,250)
Write back of impairment losses		744	2,459	39,815	7,475
Profit before taxation		416,368	352,908	2,057,725	1,973,692
Taxation	B5	(47,273)	(104,617)	(466,786)	(523,238)
Net profit for the financial year		369,095	248,291	1,590,939	1,450,454
Attributable to:					
Owners of the parent		369,095	248,291	1,590,939	1,450,454
Earnings per share - basic (sen)	B13(a)	21.0	14.2	90.3	82.7
Earnings per share - fully diluted (sen)	B13(b)	21.0	14.1	90.3	82.6

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

HONG LEONG BANK BERHAD
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Condensed Financial Statements
Unaudited Statements of Comprehensive Income
For The Financial Year Ended 30 June 2014

	The Bank			
	Current Quarter Ended 30/06/2014 RM'000	Corresponding Quarter Ended 30/06/2013 RM'000	Current Year Ended 30/06/2014 RM'000	Corresponding Year Ended 30/06/2013 RM'000
Net profit for the financial year	<u>369,095</u>	<u>248,291</u>	<u>1,590,939</u>	<u>1,450,454</u>
Other comprehensive income/(loss) :				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences	(145)	28	574	11,209
Net fair value changes on financial investments available-for-sale	38,268	(48,448)	51,012	(30,629)
Income tax relating to components of other comprehensive (income)/loss	<u>(9,567)</u>	<u>12,112</u>	<u>(12,753)</u>	<u>7,657</u>
Other comprehensive income/(loss) for the financial year	<u>28,556</u>	<u>(36,308)</u>	<u>38,833</u>	<u>(11,763)</u>
Total comprehensive income for the financial year, net of tax	<u><u>397,651</u></u>	<u><u>211,983</u></u>	<u><u>1,629,772</u></u>	<u><u>1,438,691</u></u>

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

HONG LEONG BANK BERHAD
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Condensed Financial Statements
Unaudited Statement of Changes in Equity For The Financial Year Ended 30 June 2014

<u>The Group</u>	Attributable to owners of the parent									
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair Value Reserve RM'000	Share options Reserve RM'000	Regulatory Reserve * RM'000	Exchange Fluctuation Reserve RM'000	Retained Profit RM'000	Treasury Shares RM'000	Total Shareholders' Equity RM'000
At 1 July 2013	1,879,909	2,832,383	2,625,743	163,126	5,125	8,527	(13,752)	6,197,372	(661,809)	13,036,624
<u>Comprehensive income</u>										
Net profit for the financial year	-	-	-	-	-	-	-	2,102,270	-	2,102,270
- Share of other comprehensive loss of associated company	-	-	-	(2,053)	-	-	-	-	-	(2,053)
- Net fair value changes in financial investments available-for-sale	-	-	-	25,371	-	-	-	-	-	25,371
- Currency translation difference	-	-	-	-	-	-	7,657	-	-	7,657
Total comprehensive income	-	-	-	23,318	-	-	7,657	2,102,270	-	2,133,245
<u>Transactions with owners</u>										
Transfer to statutory reserve/regulatory reserve	-	-	455,385	-	-	1,739	-	(457,124)	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	(29)	(29)
Dividend paid	-	-	-	-	-	-	-	(660,362)	-	(660,362)
ESOS exercised	-	-	-	-	(4,107)	-	-	6,948	16,259	19,100
Option charge arising from ESOS granted	-	-	-	-	1,600	-	-	-	-	1,600
Total transactions with owners	-	-	455,385	-	(2,507)	1,739	-	(1,110,538)	16,230	(639,691)
At 30 June 2014	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
At 1 July 2012	1,879,909	2,832,383	2,149,801	192,870	22,483	6,045	(20,780)	5,356,240	(714,792)	11,704,159
<u>Comprehensive income</u>										
Net profit for the financial year	-	-	-	-	-	-	-	1,856,272	-	1,856,272
- Share of other comprehensive loss of associated company	-	-	-	(22)	-	-	-	-	-	(22)
- Net fair value changes in financial investments available-for-sale	-	-	-	(29,722)	-	-	-	-	-	(29,722)
- Currency translation difference	-	-	-	-	-	-	7,028	-	-	7,028
Total comprehensive (loss)/income	-	-	-	(29,744)	-	-	7,028	1,856,272	-	1,833,556
<u>Transactions with owners</u>										
Transfer to statutory reserve/regulatory reserve	-	-	475,942	-	-	2,482	-	(478,424)	-	-
Dividend paid	-	-	-	-	-	-	-	(552,613)	-	(552,613)
Purchase of treasury shares	-	-	-	-	-	-	-	-	(13)	(13)
ESOS exercised	-	-	-	-	(15,738)	-	-	15,897	52,996	53,155
Option charge arising from ESOS granted	-	-	-	-	(1,620)	-	-	-	-	(1,620)
Total transactions with owners	-	-	475,942	-	(17,358)	2,482	-	(1,015,140)	52,983	(501,091)
At 30 June 2013	1,879,909	2,832,383	2,625,743	163,126	5,125	8,527	(13,752)	6,197,372	(661,809)	13,036,624

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

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

HONG LEONG BANK BERHAD
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Condensed Financial Statements
Unaudited Statement of Changes in Equity For The Financial Year Ended 30 June 2014

	← Non-distributable →						Distributable		Total RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair value reserve RM'000	Share options Reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Profit RM'000	Treasury Shares RM'000	
The Bank									
At 1 July 2013	1,879,909	2,832,383	2,242,523	170,683	5,125	36,323	4,835,280	(661,809)	11,340,417
<u>Comprehensive income</u>									
Net profit for the financial year	-	-	-	-	-	-	1,590,939	-	1,590,939
- Net fair value changes in financial investments available-for-sale	-	-	-	38,259	-	-	-	-	38,259
- Currency translation difference	-	-	-	-	-	574	-	-	574
Total comprehensive income	-	-	-	38,259	-	574	1,590,939	-	1,629,772
<u>Transactions with owners</u>									
Transfer to statutory reserves	-	-	397,735	-	-	-	(397,735)	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	(29)	(29)
Dividend paid	-	-	-	-	-	-	(660,362)	-	(660,362)
ESOS exercised	-	-	-	-	(4,107)	-	6,948	16,259	19,100
Option charge arising from ESOS granted	-	-	-	-	1,600	-	-	-	1,600
Total transactions with owners	-	-	397,735	-	(2,507)	-	(1,051,149)	16,230	(639,691)
At 30 June 2014	1,879,909	2,832,383	2,640,258	208,942	2,618	36,897	5,375,070	(645,579)	12,330,498
At 1 July 2012	1,879,909	2,832,383	1,879,909	193,655	22,483	25,114	4,284,156	(714,792)	10,402,817
<u>Comprehensive income</u>									
Net profit for the financial year	-	-	-	-	-	-	1,450,454	-	1,450,454
- Net fair value changes in financial investments available-for-sale	-	-	-	(22,972)	-	-	-	-	(22,972)
- Currency translation difference	-	-	-	-	-	11,209	-	-	11,209
Total comprehensive (loss)/income	-	-	-	(22,972)	-	11,209	1,450,454	-	1,438,691
<u>Transactions with owners</u>									
Transfer to statutory reserve	-	-	362,614	-	-	-	(362,614)	-	-
Dividend paid	-	-	-	-	-	-	(552,613)	-	(552,613)
Purchase of treasury shares	-	-	-	-	-	-	-	(13)	(13)
ESOS exercised	-	-	-	-	(15,738)	-	15,897	52,996	53,155
Option charge arising from ESOS granted	-	-	-	-	(1,620)	-	-	-	(1,620)
Total transactions with owners	-	-	362,614	-	(17,358)	-	(899,330)	52,983	(501,091)
At 30 June 2013	1,879,909	2,832,383	2,242,523	170,683	5,125	36,323	4,835,280	(661,809)	11,340,417

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

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)
Condensed Financial Statements
Unaudited Condensed Statements of Cash Flows
For The Financial Year Ended 30 June 2014

	The Group		The Bank	
	Financial Year Ended 30/06/2014 RM'000	Financial Year Ended 30/06/2013 RM'000	Financial Year Ended 30/06/2014 RM'000	Financial Year Ended 30/06/2013 RM'000
Profit before taxation	2,613,221	2,392,947	2,057,725	1,973,692
Adjustments for non-cash items	(304,574)	(89,577)	(12,515)	42,198
Operating profit before working capital changes	2,308,647	2,303,370	2,045,210	2,015,890
Changes in working capital:				
Net changes in operating assets	(2,548,793)	(2,570,534)	(1,824,538)	(3,045,997)
Net changes in operating liabilities	4,968,630	4,152,946	3,208,638	3,796,369
Income taxes and zakat paid	(651,664)	(585,729)	(542,748)	(524,700)
Net cash generated from operating activities	<u>4,076,820</u>	<u>3,300,053</u>	<u>2,886,562</u>	<u>2,241,562</u>
Cash flows from investing activities				
Net purchases of financial investments available-for-sale	(2,326,480)	(3,618,751)	(1,615,358)	(2,977,776)
Net purchases of financial investments held-to-maturity	(4,551,714)	(384,754)	(3,480,900)	(170,803)
Purchase of property and equipment	(105,832)	(122,708)	(96,224)	(119,537)
Proceeds from sale of property and equipment	10,738	2,691	10,106	2,477
Net purchases of intangible assets	(84,368)	(22,730)	(73,994)	(21,983)
Dividend received on financial investments available-for-sale and held-to-maturity	66,632	57,785	66,632	57,785
Dividend from associated company	56,086	51,344	56,086	51,344
Dividend from subsidiary company	-	-	56,700	111,239
Net cash used in investing activities	<u>(6,934,938)</u>	<u>(4,037,123)</u>	<u>(5,076,952)</u>	<u>(3,067,254)</u>
Cash flows from financing activities				
Dividend paid	(660,362)	(552,613)	(660,362)	(552,613)
Repayment of Tier 2 subordinated loan	(410,000)	-	(410,000)	-
Purchase of treasury shares	(29)	(13)	(29)	(13)
Cash received from ESOS exercised	19,100	53,155	19,100	53,155
Proceeds from debt issuance -Tier 2 subordinated bonds	900,000	-	500,000	-
Interest paid on subordinated obligations	(363,013)	(349,713)	(378,685)	(367,309)
Net cash used in financing activities	<u>(514,304)</u>	<u>(849,184)</u>	<u>(929,976)</u>	<u>(866,780)</u>
Net decrease in cash and cash equivalents	(3,372,422)	(1,586,254)	(3,120,366)	(1,692,472)
Currency translation differences	37,763	(2,324)	30,883	1,646
Cash and cash equivalents at the beginning of financial year	18,047,448	19,636,026	16,719,258	18,410,084
Cash and cash equivalents at the end of financial year	<u>14,712,789</u>	<u>18,047,448</u>	<u>13,629,775</u>	<u>16,719,258</u>

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

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

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR FINANCIAL YEAR ENDED 30 JUNE 2014**

A1 Basis of preparation

The unaudited condensed financial statements for the financial year ended 30 June 2014 have been prepared under the historical cost convention, except for the following assets and liabilities which are stated at fair values: financial assets held-for-trading, financial investments available-for-sale and derivative financial instruments.

The unaudited condensed financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB") and paragraph 9.22 of the Bursa Malaysia Securities Berhad's Listing Requirements and should be read in conjunction with the audited annual financial statements for the Group and Hong Leong Bank Berhad ("HLB" or "the Bank") for the financial year ended 30 June 2013. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 30 June 2013.

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

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2013, except for the adoption of the following relevant accounting standards, amendments to published accounting standards and interpretations to existing accounting standards which are effective from 1 July 2013:

MFRS 10	"Consolidated financial statements"
MFRS 11	"Joint arrangements"
MFRS 12	"Disclosures of interests in other entities"
MFRS 13	"Fair value measurement"
Revised MFRS 127	"Separate financial statements"
Revised MFRS 128	"Investments in associates and joint ventures"
Amendment to MFRS 7	"Financial instruments: Disclosures"
Amendment to MFRS 10, MFRS 11 and MFRS 12	"Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition Guidance"
Annual improvements to MFRS 2009-2011 Cycle	

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

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

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

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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 year

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

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 year ended 30 June 2014:-

a) Share Buy-back

During the financial year ended 30 June 2014, the Bank purchased a total of 2,000 ordinary shares of RM1.00 each ('Shares') from the open market. The Shares purchased were being held as treasury shares in accordance with the provision of Section 67A subsection 3(A)(b) of the Companies Act, 1965.

Details of the Shares bought back for the financial year ended 30 June 2014 were as follows:

Month	No of shares bought back	Lowest price paid RM	Highest price paid RM	Average price paid RM	Total consideration (including transaction cost) RM
Jul-13	-	-	-	-	-
Aug-13	-	-	-	-	-
Sep-13	-	-	-	-	-
Oct-13	1,000	14.32	14.32	14.32	14,379
Nov-13	-	-	-	-	-
Dec-13	-	-	-	-	-
Jan-14	-	-	-	-	-
Feb-14	-	-	-	-	-
Mar-14	-	-	-	-	-
Apr-14	1,000	14.14	14.14	14.14	14,199
May-14	-	-	-	-	-
Jun-14	-	-	-	-	-
For the year	2,000	14.14	14.32	14.29	28,578

The total number of shares bought back, all of which were held as treasury shares as at 30 June 2014 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.

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

b) Purchase of shares pursuant to ESOS

A trust has been set up for the ESOS of the Bank and is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank's shares from the open market for the purposes of this trust. In accordance to MFRS 132: Financial Statements: Presentation and Disclosure, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares", in addition to the Treasury Shares for share buy-back, in the Shareholders' Funds on the Statements of Financial Position.

During the financial year ended 30 June 2014, the trust did not purchase any new shares. As at 30 June 2014, the total number of Treasury Shares for ESOS was 36,210,678 at an average carrying value of RM5.90 per share.

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

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

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

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

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

During the financial year ended 30 June 2014, a total of 2,811,479 ordinary shares of RM1 each for cash were exercised pursuant to the Company's ESOS at exercise price above per ordinary share.

c) Repayment of debt and equity securities

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

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

d) Issuance of Tier 2 Subordinated Sukuk Ijarah

On 17 June 2014, Hong Leong Islamic Bank Berhad ("HLISB"), a wholly owned subsidiary of the Bank, had completed the first issuance of RM400 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 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.

e) Issuance of Tier 2 Subordinated Notes

On 23 June 2014, HLB had completed the first issuance of RM500 million nominal value of Tier 2 Subordinated Notes ("Sub-Notes") out of its RM10.0 billion Multi-Currency Sub-Notes Programme. The RM500 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

A7 Dividends paid

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

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

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A8 Financial assets held-for-trading

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2014</u>	<u>30/06/2013</u>	<u>30/06/2014</u>	<u>30/06/2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Money market instruments:				
Bank Negara Malaysia bills	848,000	4,961,614	550,140	2,535,880
Government treasury bills	197,064	352,727	88,751	352,727
Malaysian Government securities	27,242	704,705	27,242	704,705
Malaysian Government investment certificates	528,352	692,661	137,825	220,169
Bankers' acceptances and Islamic accepted bills	260,078	3,237,163	260,078	3,038,329
Negotiable instruments of deposit	8,774,899	4,400,751	8,427,396	4,602,982
Cagamas bonds	64,787	20,573	64,787	20,573
Khazanah bonds	37,439	-	-	-
	<u>10,737,861</u>	<u>14,370,194</u>	<u>9,556,219</u>	<u>11,475,365</u>
Quoted securities:				
Shares in Malaysia	-	1,326	-	1,326
Shares outside Malaysia	3,883	11,298	3,883	11,298
Foreign currency bonds	243,175	229,077	243,175	206,282
Unquoted securities:				
Private and Islamic debt securities	231,963	583,887	231,963	412,657
Foreign currency bonds	97,594	-	97,594	-
Total financial assets held-for-trading	<u><u>11,314,476</u></u>	<u><u>15,195,782</u></u>	<u><u>10,132,834</u></u>	<u><u>12,106,928</u></u>

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A9 Financial investments available-for-sale

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2014</u>	<u>30/06/2013</u>	<u>30/06/2014</u>	<u>30/06/2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Money market instruments:				
Government treasury bills	546,703	371,911	546,703	371,911
Malaysian Government securities	1,288,604	153,141	1,288,604	153,141
Malaysian Government investment certificates	2,538,447	3,104,568	917,089	2,079,978
Negotiable instruments of deposit	103,384	142,045	103,611	142,574
Other Government securities	475,893	455,868	-	-
Cagamas bonds	946,547	760,660	855,878	669,255
Khazanah bonds	208,615	-	208,615	-
	<u>6,108,193</u>	<u>4,988,193</u>	<u>3,920,500</u>	<u>3,416,859</u>
Quoted Securities:				
Shares in Malaysia	47,429	81,372	47,429	81,372
Shares outside Malaysia	23	223	23	223
Loans stocks quoted in Malaysia	-	7,437	-	530
Wholesale fund	2,001,515	1,499,900	2,001,515	1,499,900
Foreign currency bonds in Malaysia	3,224,143	3,396,120	3,130,326	3,305,836
Foreign currency bonds outside Malaysia	727,868	940,332	727,868	940,332
Unquoted securities:				
Private debt securities in Malaysia	4,057,480	2,583,522	3,394,205	2,060,501
Shares in Malaysia	363,810	326,513	363,763	326,446
Shares outside Malaysia	3,506	3,450	3,506	3,450
Foreign currency bonds in Malaysia	143,242	-	143,242	-
Total financial investments available-for-sale	<u>16,677,209</u>	<u>13,827,062</u>	<u>13,732,377</u>	<u>11,635,449</u>

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A10 Financial investments held-to-maturity

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2014</u>	<u>30/06/2013</u>	<u>30/06/2014</u>	<u>30/06/2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Money market instruments:				
Malaysian Government securities	3,069,415	1,616,218	3,069,415	1,616,218
Malaysian Government investment certificates	5,374,048	2,303,940	3,927,829	1,465,068
Cagamas bonds	96,455	76,718	55,658	35,655
Negotiable instruments of deposit	3,718	5,833	647,339	943,717
Other Government securities	253,646	2,541	75,514	2,541
	<u>8,797,282</u>	<u>4,005,250</u>	<u>7,775,755</u>	<u>4,063,199</u>
Unquoted securities in Malaysia:				
Loan stocks	49	120	49	120
Private and Islamic debt securities	66,751	103,156	-	-
Unquoted bonds	486	486	486	486
Investment in preference shares	52,000	52,000	52,000	52,000
	<u>119,286</u>	<u>155,762</u>	<u>52,535</u>	<u>52,606</u>
Total financial investments held-to-maturity	<u>8,916,568</u>	<u>4,161,012</u>	<u>7,828,290</u>	<u>4,115,805</u>

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A11 Loans, advances and financing

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>30/06/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Overdrafts	4,104,535	4,346,203	3,944,594	4,154,195
Term loans:				
- Housing and shop loans/financing	46,563,762	41,135,376	38,974,919	34,134,679
- Syndicated term loan/financing	7,799,610	6,300,297	7,078,739	5,782,212
- Hire purchase receivables	17,405,481	17,408,072	13,940,555	13,612,858
- Other term loans/financing	8,684,556	9,829,885	7,089,671	8,273,558
Credit/charge card receivables	4,192,192	4,088,083	4,192,192	4,088,083
Bills receivables	1,116,670	1,292,482	1,109,346	1,287,605
Trust receipts	296,587	302,199	256,166	298,749
Claims on customers under acceptance credits	8,118,324	7,362,332	7,420,281	6,863,637
Block discounting	253	6,030	253	6,030
Revolving credits	5,545,623	4,890,478	4,897,352	4,573,967
Staff loans:				
Staffs other than directors	171,911	192,788	158,309	181,530
Other loans/financing	169,145	54,732	162,964	50,910
Gross loans, advances and financing	<u>104,168,649</u>	<u>97,208,957</u>	<u>89,225,341</u>	<u>83,308,013</u>
Fair value changes arising from fair value hedges	-	(7,450)	-	(674)
Unamortised fair value changes arising from terminated fair value hedges	(1,516)	15,035	3,431	10,524
Allowance for impaired loans, advances and financing:				
- Collective assessment allowance	(1,076,604)	(1,259,563)	(922,286)	(1,032,022)
- Individual assessment allowance	(511,453)	(526,018)	(433,037)	(450,107)
Total net loans, advances and financing	<u><u>102,579,076</u></u>	<u><u>95,430,961</u></u>	<u><u>87,873,449</u></u>	<u><u>81,835,734</u></u>

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A11 Loans, advances and financing (continued)

A11a By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2014</u>	<u>30/06/2013</u>	<u>30/06/2014</u>	<u>30/06/2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Domestic non-bank financial institutions	278,231	293,310	94,328	101,233
Domestic business enterprises				
- small and medium enterprises	16,295,719	14,516,722	15,056,080	13,466,490
- others	19,182,004	19,560,421	16,673,126	17,495,895
Government and statutory bodies	28,345	23,538	12,945	14,889
Individuals	63,928,055	58,705,833	53,298,312	48,474,121
Other domestic entities	158,579	231,638	119,786	195,723
Foreign entities	4,297,716	3,877,495	3,970,764	3,559,662
Gross loans, advances and financing	<u>104,168,649</u>	<u>97,208,957</u>	<u>89,225,341</u>	<u>83,308,013</u>

A11b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2014</u>	<u>30/06/2013</u>	<u>30/06/2014</u>	<u>30/06/2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Fixed rate				
- Housing and shop loans/financing	2,838,586	3,092,687	1,694,863	1,832,102
- Hire purchase receivables	16,949,593	17,032,101	13,484,668	13,240,138
- Other fixed rate loan/financing	6,857,479	7,773,884	6,100,581	6,826,714
Variable rate				
- Base lending rate plus	62,275,657	56,615,136	54,250,015	49,611,579
- Cost plus	14,934,610	12,612,686	13,695,214	11,797,480
- Other variables rates	312,724	82,463	-	-
Gross loans, advances and financing	<u>104,168,649</u>	<u>97,208,957</u>	<u>89,225,341</u>	<u>83,308,013</u>

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A11 Loans, advances and financing (continued)

A11c By economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2014</u>	<u>30/06/2013</u>	<u>30/06/2014</u>	<u>30/06/2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Purchase of securities	762,695	981,258	749,293	969,569
Purchase of transport vehicles	17,292,162	17,345,577	13,805,110	13,541,768
Purchase of landed properties				
- residential	39,000,324	34,216,321	32,307,912	28,257,239
- non-residential	12,370,138	10,858,636	11,260,737	9,860,975
Purchase of fixed assets (excluding landed properties)	530,527	555,874	485,549	519,919
Personal use	3,370,722	3,502,241	2,724,900	2,744,303
Credit card	4,192,192	4,088,083	4,192,192	4,088,083
Purchase of consumer durables	445	472	444	468
Construction	1,163,043	1,163,851	1,058,646	1,119,190
Mergers and acquisition	303,096	447,926	303,096	447,926
Working capital	22,573,362	21,770,180	19,987,905	19,746,342
Others	2,609,943	2,278,538	2,349,557	2,012,231
Gross loans, advances and financing	<u>104,168,649</u>	<u>97,208,957</u>	<u>89,225,341</u>	<u>83,308,013</u>

A11d By geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2014</u>	<u>30/06/2013</u>	<u>30/06/2014</u>	<u>30/06/2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	101,088,811	94,484,686	86,545,396	80,827,537
Singapore	2,675,129	2,480,476	2,675,129	2,480,476
Hong Kong	4,816	-	4,816	-
Vietnam	312,724	243,795	-	-
Cambodia	87,169	-	-	-
Gross loans, advances and financing	<u>104,168,649</u>	<u>97,208,957</u>	<u>89,225,341</u>	<u>83,308,013</u>

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A11 Loans, advances and financing (continued)

A11e By residual contractual maturity

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>30/06/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Within one year	27,515,823	27,488,901	25,657,871	25,704,301
One year to less than three years	8,208,062	7,418,422	6,717,890	6,327,512
Three years to less than five years	9,659,310	9,087,625	8,048,496	7,418,718
Five years and more	58,785,454	53,214,009	48,801,084	43,857,482
Gross loans, advances and financing	<u>104,168,649</u>	<u>97,208,957</u>	<u>89,225,341</u>	<u>83,308,013</u>

A11f Impaired loans, advances and financing by economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>30/06/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Purchase of securities	758	6,895	758	6,854
Purchase of transport vehicles	225,697	220,106	176,973	170,886
Purchase of landed properties				
- residential	213,583	245,899	152,070	191,160
- non-residential	47,737	59,554	40,163	49,303
Purchase of fixed assets (excluding landed properties)	37,484	14,576	36,092	14,413
Personal use	34,940	72,209	27,449	62,319
Credit card	53,058	60,675	53,058	60,675
Purchase of consumer durables	4	4	4	4
Construction	4,379	9,266	2,247	7,609
Working capital	572,014	635,311	494,221	556,327
Others	42,081	34,948	42,080	34,623
	<u>1,231,735</u>	<u>1,359,443</u>	<u>1,025,115</u>	<u>1,154,173</u>

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A11 Loans, advances and financing (continued)

A11g Impaired loans, advances and financing by geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>30/06/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Malaysia	1,218,521	1,329,644	1,025,115	1,124,735
Singapore	-	29,438	-	29,438
Vietnam	13,214	361	-	-
	<u>1,231,735</u>	<u>1,359,443</u>	<u>1,025,115</u>	<u>1,154,173</u>

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

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>30/06/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
At 1 July	1,359,443	1,532,014	1,154,173	1,310,186
Impaired during the financial year	1,705,427	1,851,753	1,439,645	1,585,079
Performing during the financial year	(897,336)	(966,418)	(732,219)	(799,385)
Amount written back in respect of recoveries	(507,069)	(503,594)	(452,330)	(441,384)
Amount written off	(431,273)	(554,051)	(385,673)	(500,350)
Exchange difference	2,543	(261)	1,519	27
At 30 June	<u>1,231,735</u>	<u>1,359,443</u>	<u>1,025,115</u>	<u>1,154,173</u>
Gross impaired loan as a % of gross loans, advances and financing	<u>1.2%</u>	<u>1.4%</u>	<u>1.1%</u>	<u>1.4%</u>

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A11 Loans, advances and financing (continued)

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

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2014</u>	<u>30/06/2013</u>	<u>30/06/2014</u>	<u>30/06/2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Collective Assessment Allowance</u>				
At 1 July	1,259,563	1,501,615	1,032,022	1,188,198
Net allowance made during the year	254,706	183,884	274,988	221,498
Amount transferred to individual assessment	(1,915)	(4,800)	(1,915)	(4,800)
Amount written off	(367,890)	(402,347)	(325,171)	(357,205)
Unwinding income	(68,545)	(18,751)	(58,362)	(15,657)
Exchange differences	685	(38)	724	(12)
At 30 June	<u>1,076,604</u>	<u>1,259,563</u>	<u>922,286</u>	<u>1,032,022</u>
As a % of gross loans, advances and financing less individual assessment allowance	<u>1.0%</u>	<u>1.3%</u>	<u>1.0%</u>	<u>1.2%</u>
<u>Individual Assessment Allowance</u>				
At 1 July	526,018	541,978	450,107	463,710
Allowance made during the year	140,023	190,721	135,014	183,030
Amount transferred from collective assessment	1,915	4,800	1,915	4,800
Amount transferred to allowance for impairment losses on securities	-	(14,211)	-	(14,211)
Amount written back in respect of recoveries	(108,808)	(90,853)	(105,426)	(86,663)
Amount written off	(41,618)	(94,650)	(41,618)	(89,303)
Unwinding income	(7,112)	(11,524)	(6,994)	(11,301)
Exchange difference	1,035	(243)	39	45
At 30 June	<u>511,453</u>	<u>526,018</u>	<u>433,037</u>	<u>450,107</u>

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A12 Other assets

	<u>The Group</u>		<u>The Bank</u>	
	30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
Foreclosed properties	1,112	1,112	1,112	1,112
Sundry debtors and other prepayments	130,436	159,527	104,028	111,688
Treasury related receivables	242,573	255,608	242,573	254,632
Other receivables	123,116	472,353	86,829	427,078
	<u>497,237</u>	<u>888,600</u>	<u>434,542</u>	<u>794,510</u>

A13 Deposits from customers

A13a By type of deposit

	<u>The Group</u>		<u>The Bank</u>	
	30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
Fixed deposits	73,625,412	73,423,719	65,186,386	66,079,991
Negotiable instruments of deposit	11,598,134	8,147,193	9,685,899	6,709,548
	<u>85,223,546</u>	<u>81,570,912</u>	<u>74,872,285</u>	<u>72,789,539</u>
Demand deposits	19,071,251	17,563,960	16,705,898	16,037,087
Saving deposits	15,020,628	14,439,487	12,850,935	12,342,637
Short term corporate placement	10,637,552	9,743,050	9,359,459	7,685,837
Other	381,524	319,661	373,704	313,531
Gross deposits from customers	<u>130,334,501</u>	<u>123,637,070</u>	<u>114,162,281</u>	<u>109,168,631</u>
Fair value changes arising from designation at fair value through profit or loss *	(82,164)	-	(63,446)	-
Total net deposits from customers	<u>130,252,337</u>	<u>123,637,070</u>	<u>114,098,835</u>	<u>109,168,631</u>

* During the financial year, the Group has 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 are recorded at fair value.

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A13 Deposits from customers (continued)

A13b By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>30/06/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Government and statutory bodies	1,765,218	3,486,932	1,074,113	2,492,761
Business enterprises	56,894,417	49,835,642	46,891,841	40,745,271
Individuals	66,661,897	66,104,854	61,673,751	62,295,411
Others	5,012,969	4,209,642	4,522,576	3,635,188
	<u>130,334,501</u>	<u>123,637,070</u>	<u>114,162,281</u>	<u>109,168,631</u>

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

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>30/06/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Due within six months	64,684,513	57,645,995	56,018,366	51,216,469
More than six months to one year	16,537,616	19,875,082	15,396,676	17,708,225
More than one year to five years	3,501,417	3,939,835	3,007,243	3,754,845
More than five years	500,000	110,000	450,000	110,000
	<u>85,223,546</u>	<u>81,570,912</u>	<u>74,872,285</u>	<u>72,789,539</u>

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A14 Deposits and placements of banks and other financial institution

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>30/06/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Licensed banks	5,451,089	9,840,902	5,387,384	9,785,220
Licensed investment banks	-	322,879	-	300,874
Licensed Islamic banks	901,261	930,887	-	-
Other financial institutions	758,945	472,479	-	80,020
	<u>7,111,295</u>	<u>11,567,147</u>	<u>5,387,384</u>	<u>10,166,114</u>
The maturity structure of deposits and placements of banks and other financial institutions:				
- One year or less (short term)	<u>7,111,295</u>	<u>11,567,147</u>	<u>5,387,384</u>	<u>10,166,114</u>

A15 Other liabilities

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>	<u>30/06/2014</u> <u>RM'000</u>	<u>30/06/2013</u> <u>RM'000</u>
Zakat	200	200	-	-
Post employment benefits obligation - defined contribution plan	2,937	2,948	2,937	2,948
Loan advance payment	1,882,838	1,603,098	1,525,872	1,309,788
Amount due to Cagamas Berhad	84,160	172,115	84,160	172,115
Amount due to subsidiary companies	-	-	28,494	129,742
Treasury clearing	1,191,406	113,385	523,173	1,028
Cheque clearing	27,650	74,199	-	30,537
Treasury related payable	56,425	21,416	56,425	21,416
Sundry creditors and accruals	540,999	543,355	475,869	499,766
Provision for bonus and staff related expenses	125,016	151,144	120,544	145,552
Others	339,406	584,587	466,708	567,380
	<u>4,251,037</u>	<u>3,266,447</u>	<u>3,284,182</u>	<u>2,880,272</u>

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A16 Senior bonds

		<u>The Group and The Bank</u>	
		<u>30/06/2014</u>	<u>30/06/2013</u>
		<u>RM'000</u>	<u>RM'000</u>
USD 300 million senior bonds, at par	(a)	916,350	916,350
USD 300 million senior bonds, at par	(b)	919,200	919,200
Foreign exchange translations		90,750	60,150
		<u>1,926,300</u>	<u>1,895,700</u>
Add: Interest payable		16,454	16,192
		<u>1,942,754</u>	<u>1,911,892</u>
Less: Unamortised discounts		(6,547)	(9,721)
		<u><u>1,936,207</u></u>	<u><u>1,902,171</u></u>

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

The Bonds will constitute direct, general, unsubordinated and (subject to the provisions of Negative Pledge Condition) unsecured obligations of the Bank which will at all times rank *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 million (the "Senior Notes") under its Euro Medium Term Note Programme of up to USD1.5 billion (or its equivalent in other currencies) in nominal value (the "Programme") which was established on 9 April 2012.

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

A17 Subordinated bonds

		<u>The Group</u>		<u>The Bank</u>	
		<u>30/06/2014</u>	<u>30/06/2013</u>	<u>30/06/2014</u>	<u>30/06/2013</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
RM700 million Tier 2 subordinated debt, at par	(a)	700,000	700,000	700,000	700,000
Add: Interest payable		13,115	12,836	13,115	12,836
		<u>713,115</u>	<u>712,836</u>	<u>713,115</u>	<u>712,836</u>
Less: Unamortised discounts		(207)	(741)	(207)	(741)
		<u><u>712,908</u></u>	<u><u>712,095</u></u>	<u><u>712,908</u></u>	<u><u>712,095</u></u>
RM1.0 billion Tier 2 subordinated debt, at par	(b)	1,000,000	1,000,000	1,000,000	1,000,000
Add: Interest payable		6,793	6,674	6,793	6,674
		<u>1,006,793</u>	<u>1,006,674</u>	<u>1,006,793</u>	<u>1,006,674</u>
Less: Unamortised discounts		(570)	(1,341)	(570)	(1,341)
		<u><u>1,006,223</u></u>	<u><u>1,005,333</u></u>	<u><u>1,006,223</u></u>	<u><u>1,005,333</u></u>

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A17 Subordinated bonds (continued)

		<u>The Group</u>		<u>The Bank</u>	
		<u>30/06/2014</u>	<u>30/06/2013</u>	<u>30/06/2014</u>	<u>30/06/2013</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Subordinated medium term notes, at par	(c)	750,000	1,160,000	750,000	1,160,000
Add: Interest payable		1,207	9,307	1,207	9,307
		<u>751,207</u>	<u>1,169,307</u>	<u>751,207</u>	<u>1,169,307</u>
Less: Unamortised discounts		(1,138)	(6,985)	(1,138)	(6,985)
Fair value adjustments on completion of business combination accounting		210	3,829	210	3,827
		<u>750,279</u>	<u>1,166,151</u>	<u>750,279</u>	<u>1,166,149</u>
RM1.5 billion Tier 2 subordinated debt, at par	(d)	1,500,000	1,500,000	1,500,000	1,500,000
Add: Interest payable		1,479	1,295	1,479	1,295
		<u>1,501,479</u>	<u>1,501,295</u>	<u>1,501,479</u>	<u>1,501,295</u>
Less: Unamortised discounts		(1,590)	(2,271)	(1,590)	(2,271)
		<u>1,499,889</u>	<u>1,499,024</u>	<u>1,499,889</u>	<u>1,499,024</u>
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(e)	400,000	-	-	-
Add: Interest payable		736	-	-	-
		<u>400,736</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less: Unamortised discounts		(658)	-	-	-
		<u>400,078</u>	<u>-</u>	<u>-</u>	<u>-</u>
RM500 million Tier 2 subordinated notes, at par	(f)	500,000	-	500,000	-
Add: Interest payable		526	-	526	-
		<u>500,526</u>	<u>-</u>	<u>500,526</u>	<u>-</u>
Less: Unamortised discounts		(1,550)	-	(1,550)	-
		<u>498,976</u>	<u>-</u>	<u>498,976</u>	<u>-</u>
		<u>4,868,353</u>	<u>4,382,603</u>	<u>4,468,275</u>	<u>4,382,601</u>

(a) On 10 August 2010, HLB had completed the first issuance of RM700 million nominal value of Tier 2 Subordinated Debt ("Sub Debt") out of its RM1.7 billion Tier 2 Subordinated Notes Programme. The RM700 million Sub Debt will mature in 2020 and is callable at the end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The Sub Debt which bears interest of 4.85% per annum is payable semi-annually in arrears.

The Sub Debt constitute unsecured liabilities of the Bank, and is subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

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A17 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") (formerly known as EON Bank Berhad), a wholly owned subsidiary of the Bank, has successfully issued the first tranche of RM410.0 million nominal value of the 10 non-callable 5 years Subordinated Medium Term Notes ("MTN") callable on 27 February 2014 (and thereafter) and due on 27 February 2019 under the RM2.0 billion Subordinated MTN Programme. The coupon rate of the Subordinated MTN is 5.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should Promino decide not to exercise its call option on the fifth (5) year from the issue date, the coupon rate will be revised to be equivalent to 7.75% or the then prevailing 5 years RM swap rate plus 3.70% per annum, whichever is higher, from the beginning of the sixth (6) year to the final maturity date.

Subsequently, on 2 December 2009, Promino issued a second tranche of RM250.0 million nominal value of the 10 non-callable 5 years Subordinated MTN callable on 2 December 2014 (and thereafter) and due on 2 December 2019 under the RM2.0 billion Subordinated MTN Programme. The coupon rate of this second tranche of the Subordinated MTN is 5.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should Promino decide not to exercise its call option on the fifth (5) year from the issue date, the coupon rate of this second tranche will be revised to be equivalent to 7.75% or the then prevailing 5 years RM swap rate plus 3.70% per annum, whichever is higher, from the beginning of the sixth (6) year to the final maturity date: similar to the step-up rates in the first tranche.

Subsequently, on 30 December 2010, Promino issued a third tranche of RM500.0 million nominal value of the 10 non-callable 5 years Subordinated MTN callable on 30 December 2015 (and at each anniversary date thereafter) and due on 30 December 2020 under the RM2.0 billion Subordinated MTN Programme. The coupon rate of this third tranche of the Subordinated MTN is 4.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should Promino decide not to exercise its call option on the fifth (5) year from the issue date, or at each anniversary date thereafter, the coupon rate of this third tranche will be remain at 4.75% per annum, from the beginning of the sixth (6) year to the final maturity date.

On 1 July 2011, the above Subordinated MTN was vested to HLB. The above tranches of Subordinated MTNs constitute unsecured liabilities of HLB and are subordinated to all deposit liabilities and all other liabilities except those liabilities, which by their terms, rank equally in rights of payment with the Subordinated MTNs. The Subordinated MTNs qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group and HLB.

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

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A17 Subordinated bonds (continued)

- (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, HLISB, a wholly owned subsidiary of the Bank, had completed the first issuance of RM400 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 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 extend 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 million nominal value of Tier 2 Subordinated Notes (“Sub-Notes”) out of its RM10.0 billion Multi-Currency Sub-Notes Programme. The RM500 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

	<u>The Group and The Bank</u>	
	<u>30/06/2014</u>	<u>30/06/2013</u>
	<u>RM'000</u>	<u>RM'000</u>
RM1.4 billion Non-Innovative Tier 1 stapled securities, at par	1,400,000	1,400,000
Add: Interest payable	11,041	10,847
	<u>1,411,041</u>	<u>1,410,847</u>
Less: Unamortised discounts	(789)	(1,855)
	<u><u>1,410,252</u></u>	<u><u>1,408,992</u></u>

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

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

A19 Innovative Tier 1 capital securities

	<u>The Group and The Bank</u>	
	<u>30/06/2014</u>	<u>30/06/2013</u>
	<u>RM'000</u>	<u>RM'000</u>
RM500 million Innovative Tier 1 capital securities at par	500,000	500,000
Add: Interest payable	12,771	12,658
	<u>512,771</u>	<u>512,658</u>
Less: Unamortised discounts	(8,746)	(10,012)
Fair value adjustments on completion of business combination accounting	37,742	53,396
	<u><u>541,767</u></u>	<u><u>556,042</u></u>

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

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

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

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A20 Interest income

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Group				
Loan, advances and financing	1,041,088	999,688	4,125,470	4,001,931
Money at call and deposit placements with financial institutions	81,583	135,103	430,603	391,142
Securities purchased under resale agreements	(10,729)	8,051	18,404	28,019
Financial assets held-for-trading	125,173	148,563	499,315	709,989
Financial investments available-for-sale	93,855	80,712	393,231	306,942
Financial investments held-to-maturity	62,587	16,745	182,496	91,110
Others	56	33	203	264
	<u>1,393,613</u>	<u>1,388,895</u>	<u>5,649,722</u>	<u>5,529,397</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>17,703</u>	<u>6,304</u>	<u>65,356</u>	<u>26,958</u>

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Bank				
Loan, advances and financing	1,033,599	995,176	4,099,812	3,988,191
Money at call and deposit placements with financial institutions	85,159	156,222	450,070	419,295
Securities purchased under resale agreements	(10,729)	8,051	18,404	28,019
Financial assets held-for-trading	129,754	150,786	518,097	736,568
Financial investments available-for-sale	85,613	70,990	357,627	275,688
Financial investments held-to-maturity	66,548	27,027	210,239	115,168
Others	56	11,615	12,926	46,314
	<u>1,390,000</u>	<u>1,419,867</u>	<u>5,667,175</u>	<u>5,609,243</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>17,703</u>	<u>6,304</u>	<u>65,356</u>	<u>26,958</u>

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A21 Interest expense

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
	RM'000	RM'000	RM'000	RM'000
Group				
Deposits and placements of banks and other financial institutions	(19,260)	24,503	63,567	94,737
Deposits from customers	605,749	569,208	2,366,826	2,255,452
Short term corporate placements	42,635	66,791	190,579	304,756
Senior bonds	17,365	16,612	70,240	67,557
Tier-2 subordinated bonds	43,643	47,801	188,785	185,842
Non-innovative Tier-1 stapled securities	17,524	17,963	71,439	72,215
Innovative Tier-1 capital securities	6,892	6,190	26,862	23,742
Others	1,737	2,900	9,200	11,429
	<u>716,285</u>	<u>751,968</u>	<u>2,987,498</u>	<u>3,015,730</u>

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
	RM'000	RM'000	RM'000	RM'000
Bank				
Deposits and placements of banks and other financial institutions	(19,301)	24,404	69,728	95,223
Deposits from customers	611,212	607,707	2,411,760	2,361,533
Short term corporate placements	42,635	66,791	190,579	304,756
Senior bonds	17,365	16,612	70,240	67,557
Tier-2 subordinated bonds	46,588	51,681	203,394	203,116
Non-innovative Tier-1 stapled securities	17,851	17,963	71,766	72,215
Innovative Tier-1 capital securities	6,892	6,190	26,862	24,064
Others	1,737	2,900	9,200	11,429
	<u>724,979</u>	<u>794,248</u>	<u>3,053,529</u>	<u>3,139,893</u>

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A22 Net income from Islamic Banking business

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
Group				
Income derived from investment of depositors' funds and others	204,471	226,035	835,835	848,865
of which Finance income	203,951	225,209	837,111	841,323
of which other operating income	520	826	(1,276)	7,542
Income derived from investment of shareholders' funds	21,023	22,199	91,395	85,520
of which Finance income	15,347	15,625	63,006	61,998
of which other operating income	5,676	6,574	28,389	23,522
Income attributable to depositors	(121,265)	(140,959)	(492,851)	(479,498)
	104,229	107,275	434,379	454,887

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A23 Other operating income

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
Group				
(a) <u>Fee income:</u>				
Commissions	34,937	34,918	141,375	136,695
Service charges and fees	12,895	13,202	51,012	46,824
Guarantee fees	3,696	3,858	22,818	21,695
Credit card related fees	57,882	69,854	240,267	270,152
Corporate advisory fees	293	311	654	1,951
Commitment fees	9,004	8,905	36,562	34,539
Fee on loans, advances and financing	13,212	15,000	64,676	66,359
Other fee income	8,528	3,188	37,481	13,287
	<u>140,447</u>	<u>149,236</u>	<u>594,845</u>	<u>591,502</u>
(b) <u>Gain/(loss) arising from sale of financial assets:</u>				
Net gain from sale of financial assets held-for-trading	4,505	787	15,185	40,150
Net gain/(loss) from sale of derivative financial instruments	3,718	(1,216)	38,052	37,833
Net gain/(loss) from sale of financial investments available-for-sale	27,694	(4,525)	74,419	75,171
Net gain from redemption of financial investments held-to-maturity	177	1	790	8,437
	<u>36,094</u>	<u>(4,953)</u>	<u>128,446</u>	<u>161,591</u>
(c) <u>Gross dividend income from:</u>				
Financial investments available-for-sale	<u>18,298</u>	<u>17,287</u>	<u>66,632</u>	<u>57,785</u>

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A23 Other operating income (continued)

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
(d) <u>Net unrealised gain on revaluation of:</u>				
- Financial assets held-for-trading	539	5,254	1,888	14,611
- Derivatives financial instruments	(353)	43,652	177	60,380
	<u>186</u>	<u>48,906</u>	<u>2,065</u>	<u>74,991</u>
(e) <u>Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges</u>	<u>(1,657)</u>	<u>(3,924)</u>	<u>(8,334)</u>	<u>(26,614)</u>
(f) <u>Net unrealised gain on fair value changes arising from fair value hedges</u>	<u>-</u>	<u>329</u>	<u>-</u>	<u>10,917</u>
(g) <u>Other income:</u>				
Foreign exchange gain	19,903	18,742	132,150	148,470
Rental income	1,322	1,074	5,357	4,852
Gain on disposal of property and equipment (net)	5,609	14	6,113	880
Other non-operating income	4,658	4,068	15,182	13,867
	<u>31,492</u>	<u>23,898</u>	<u>158,802</u>	<u>168,069</u>
Total other operating income	<u><u>224,860</u></u>	<u><u>230,779</u></u>	<u><u>942,456</u></u>	<u><u>1,038,241</u></u>

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A23 Other operating income (continued)

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
Bank				
(a) Fee income:				
Commissions	34,817	34,821	140,831	136,448
Service charges and fees	12,832	13,171	50,829	46,795
Guarantee fees	3,675	3,842	22,736	21,619
Credit card related fees	57,882	69,854	240,267	270,152
Corporate advisory fees	293	311	654	1,951
Commitment fees	8,992	8,905	36,537	34,543
Fee on loans, advances and financing	13,050	15,000	64,074	66,359
Other fee income	8,488	3,042	37,346	13,489
	<u>140,029</u>	<u>148,946</u>	<u>593,274</u>	<u>591,356</u>
(b) Gain/(loss) arising from sale of financial assets:				
Net gain from sale of financial assets held-for-trading	4,505	787	15,185	40,150
Net gain/(loss) from sale of derivative financial instruments	3,718	(1,216)	38,052	37,833
Net gain/(loss) from sale of financial investments available-for-sale	22,826	(4,525)	54,893	75,153
Net gain from redemption of financial investments held-to-maturity	177	1	790	8,437
	<u>31,226</u>	<u>(4,953)</u>	<u>108,920</u>	<u>161,573</u>
(c) Gross dividend income from:				
Subsidiary companies	-	-	56,700	111,239
Associated company	-	-	76,859	70,361
Financial investments available-for-sale	18,298	17,287	66,632	57,785
	<u>18,298</u>	<u>17,287</u>	<u>200,191</u>	<u>239,385</u>

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A23 Other operating income (continued)

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
(d) <u>Net unrealised gain on revaluation of:</u>				
- Financial assets held-for-trading	539	5,254	1,888	14,611
- Derivatives financial instruments	(353)	43,652	177	60,380
	<u>186</u>	<u>48,906</u>	<u>2,065</u>	<u>74,991</u>
(e) <u>Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges</u>	<u>(1,304)</u>	<u>(3,206)</u>	<u>(6,379)</u>	<u>(23,062)</u>
(f) <u>Net unrealised gain on fair value changes arising from fair value hedges</u>	<u>-</u>	<u>329</u>	<u>-</u>	<u>10,917</u>
(g) <u>Other income:</u>				
Foreign exchange gain	19,857	18,804	132,225	147,911
Rental income	1,322	1,074	5,357	4,852
Gain on disposal of property and equipment (net)	5,609	14	6,113	880
Other non-operating income	4,646	4,062	28,538	13,654
	<u>31,434</u>	<u>23,954</u>	<u>172,233</u>	<u>167,297</u>
Total other operating income	<u><u>219,869</u></u>	<u><u>231,263</u></u>	<u><u>1,070,304</u></u>	<u><u>1,222,457</u></u>

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A24 Other operating expenses

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Group</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	198,637	218,847	859,063	864,649
- Medical expenses	7,280	8,122	23,804	24,348
- Training and convention expenses	12,461	13,287	29,925	31,630
- Staff welfare	3,111	4,005	13,213	14,572
- Others	6,776	(1,399)	22,343	18,671
	<u>228,265</u>	<u>242,862</u>	<u>948,348</u>	<u>953,870</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	28,182	27,380	110,193	105,812
- Amortisation of intangible assets	25,639	23,644	97,502	99,243
- Rental	18,565	19,395	73,369	78,749
- Information technology expenses	29,294	39,075	109,059	112,445
- Security services	7,451	10,825	31,344	31,384
- Electricity, water and sewerage	7,259	5,484	24,743	27,176
- Hire of plant and machinery	3,224	4,173	13,664	13,895
- Others	6,220	10,990	27,774	31,033
	<u>125,834</u>	<u>140,966</u>	<u>487,648</u>	<u>499,737</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	17,926	18,024	36,885	49,531
- Credit card related fees	25,923	16,132	97,263	61,794
- Others	4,085	3,305	17,206	13,798
	<u>47,934</u>	<u>37,461</u>	<u>151,354</u>	<u>125,123</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	4,358	4,344	13,555	15,364
- Stationery & printing	6,266	5,409	18,259	17,965
- Professional fees	23,293	23,802	79,656	88,591
- Insurance fees	9,694	7,954	29,988	21,695
- Stamp, postage and courier	7,203	6,710	22,171	24,698
- Travelling and transport expenses	1,689	1,408	6,430	6,790
- Registration and license fees	1,142	1,199	4,910	4,859
- Brokerage and commission	1,546	1,658	5,993	4,960
- Others	9,901	20,813	23,901	83,373
	<u>65,092</u>	<u>73,297</u>	<u>204,863</u>	<u>268,295</u>
	<u>467,125</u>	<u>494,586</u>	<u>1,792,213</u>	<u>1,847,025</u>

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A24 Other operating expenses (continued)

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	166,797	188,054	724,344	735,585
- Medical expenses	6,136	6,865	20,069	20,480
- Training and convention expenses	10,964	11,463	26,920	27,719
- Staff welfare	2,807	3,160	11,693	11,950
- Others	5,673	(1,841)	18,719	14,520
	<u>192,377</u>	<u>207,701</u>	<u>801,745</u>	<u>810,254</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	26,995	26,311	105,116	101,587
- Amortisation of intangible assets	24,489	23,001	92,969	96,471
- Rental	15,428	15,933	60,807	64,449
- Information technology expenses	26,844	35,648	100,095	99,975
- Security services	5,988	9,798	25,214	27,561
- Electricity, water and sewerage	6,286	5,160	21,607	25,864
- Hire of plant and machinery	2,893	3,555	12,556	12,076
- Others	1,201	4,809	7,748	9,971
	<u>110,124</u>	<u>124,215</u>	<u>426,112</u>	<u>437,954</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	17,135	17,390	34,151	44,488
- Credit card related fees	25,923	16,132	97,263	61,794
- Others	3,522	3,134	15,368	13,095
	<u>46,580</u>	<u>36,656</u>	<u>146,782</u>	<u>119,377</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	4,266	4,275	13,227	15,413
- Stationery & printing	6,104	5,241	17,741	17,573
- Professional fees	22,649	22,938	77,506	86,008
- Insurance fees	7,975	7,089	25,648	18,422
- Stamp, postage and courier	7,103	6,648	21,876	24,492
- Travelling and transport expenses	1,303	1,073	5,120	5,506
- Registration and license fees	1,035	1,106	4,460	4,589
- Brokerage and commission	1,294	1,365	5,153	4,341
- Others	10,876	22,114	28,267	86,411
	<u>62,605</u>	<u>71,849</u>	<u>198,998</u>	<u>262,755</u>
	<u>411,686</u>	<u>440,421</u>	<u>1,573,637</u>	<u>1,630,340</u>

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A25 Allowance for impairment losses on loans, advances and financing

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Group</u>				
Allowance for impairment losses on loans, advances and financing:				
- collective assessment allowance	66,846	(39,035)	254,706	183,884
- individual assessment allowance	14,867	121,285	31,215	99,868
Impaired loans and financing:				
- written off	3,338	6,769	20,025	21,068
- recovered from bad debt written off	(60,749)	(60,729)	(253,881)	(263,444)
	<u>24,302</u>	<u>28,290</u>	<u>52,065</u>	<u>41,376</u>

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Bank</u>				
Allowance for impairment losses on loans, advances and financing:				
- collective assessment allowance	93,307	(679)	274,988	221,498
- individual assessment allowance	15,417	116,387	29,588	96,367
Impaired loans and financing:				
- written off	2,910	6,226	17,725	19,080
- recovered from bad debt written off	(54,054)	(55,922)	(229,898)	(241,695)
	<u>57,580</u>	<u>66,012</u>	<u>92,403</u>	<u>95,250</u>

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A26 Capital adequacy

The Group's and the Bank's regulatory capital is governed by BNM Capital Adequacy Framework guidelines. With effect from 1 January 2013, the capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework issued on 28 November 2012. The Framework sets out the approach for computing the regulatory capital adequacy ratios, as well as the levels of the ratios at which banking institutions are required to operate. The Framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. In line with the transitional arrangements under the BNM's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for common equity Tier I (CET I) capital ratio and Tier I capital ratio are 4.00% (2013: 3.50%) and 5.50% (2013: 4.50%) respectively for year 2014. The minimum regulatory capital adequacy requirement remains at 8.00% (2013: 8.00%) for total capital ratio.

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

Basel III

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

	The Group		The Bank	
	Financial Year Ended 30/06/2014	Financial Year Ended 30/06/2013	Financial Year Ended 30/06/2014	Financial Year Ended 30/06/2013
Before deducting proposed dividends				
CET I capital ratio	10.903%	10.627%	10.172%	10.156%
Tier I capital ratio	12.306%	12.319%	11.777%	12.062%
Total capital ratio	<u>15.072%</u>	<u>15.179%</u>	<u>14.657%</u>	<u>13.592%</u>
After deducting proposed dividends				
CET I capital ratio	10.480%	10.236%	9.689%	9.715%
Tier I capital ratio	11.883%	11.927%	11.294%	11.621%
Total capital ratio	<u>14.649%</u>	<u>14.787%</u>	<u>14.173%</u>	<u>13.150%</u>

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A26 Capital adequacy (continued)

Basel III

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

	The Group		The Bank	
	Financial Year Ended 30/06/2014 RM'000	Financial Year Ended 30/06/2013 RM'000	Financial Year Ended 30/06/2014 RM'000	Financial Year Ended 30/06/2013 RM'000
CET I capital				
Paid-up share capital	1,879,909	1,879,909	1,879,909	1,879,909
Share premium	2,832,383	2,832,383	2,832,383	2,832,383
Retained profits	7,189,104	6,197,372	5,375,070	4,835,280
Other reserves	3,171,817	2,699,050	2,773,797	2,360,778
Less: Treasury shares	(645,579)	(661,809)	(645,579)	(661,809)
Less: Other Intangible Assets	(347,791)	(369,415)	(335,319)	(362,855)
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)
Less : Investment in subsidiary companies/ associated company/joint venture	(430,676)	-	(475,075)	-
Total CET I capital	11,817,855	10,746,178	9,633,639	9,112,139
Additional Tier I capital				
Non-innovative Tier I stapled securities	1,120,000	1,260,000	1,120,000	1,260,000
Innovative Tier I capital securities	400,000	450,000	400,000	450,000
Total additional Tier I capital	1,520,000	1,710,000	1,520,000	1,710,000
Total Tier I capital	13,337,855	12,456,178	11,153,639	10,822,139
Tier II capital				
Collective assessment allowance [^]	732,980	800,960	639,439	666,131
Subordinated bonds	3,988,000	3,924,000	3,988,000	3,924,000
Tier II capital before regulatory adjustments	4,720,980	4,724,960	4,627,439	4,590,131
Less: Regulatory adjustments				
Investment in subsidiary companies	-	-	(1,081,727)	(2,194,913)
Investment in associated company	(1,650,640)	(1,752,949)	(757,204)	(946,505)
Investment in joint venture	(72,064)	(79,945)	(61,369)	(76,711)
Total Tier II capital	2,998,276	2,892,066	2,727,139	1,372,002
Total capital	16,336,131	15,348,244	13,880,778	12,194,141

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

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A26 Capital adequacy (continued)

Basel III

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

	The Group		The Bank	
	Financial Year Ended 30/06/2014 RM'000	Financial Year Ended 30/06/2013 RM'000	Financial Year Ended 30/06/2014 RM'000	Financial Year Ended 30/06/2013 RM'000
Credit risk	96,729,672	91,059,541	84,227,557	80,746,066
Market risk	4,126,372	3,429,463	3,912,418	3,322,591
Operational risk	7,532,731	6,628,544	6,563,115	5,649,356
Total RWA	108,388,775	101,117,548	94,703,090	89,718,013

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

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	Financial Year Ended 30/06/2014	Financial Year Ended 30/06/2013
Before deducting proposed dividends		
CET I capital ratio	11.829%	11.070%
Tier I capital ratio	11.829%	11.070%
Total capital ratio	<u>15.587%</u>	<u>14.153%</u>
After deducting proposed dividends		
CET I capital ratio	11.392%	10.720%
Tier I capital ratio	11.392%	10.720%
Total capital ratio	<u>15.150%</u>	<u>13.804%</u>

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A27 Group segmental reporting on revenue, profit and assets

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

The various business segments are described below:

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

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

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

Overseas/International Operations refers to Hong Leong Bank Berhad Overseas Branches, Subsidiaries, Associate, 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.

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

Financial quarter ended 30/06/2014

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Others and Inter-Segment Elimination RM'000	Total RM'000
<u>By business segment</u>						
External revenue	606,252	121,548	310,068	46,169	(77,620)	1,006,417
Inter-segment revenue	(29,872)	117,659	(188,035)	-	100,248	-
Segment revenue	<u>576,380</u>	<u>239,207</u>	<u>122,033</u>	<u>46,169</u>	<u>22,628</u>	<u>1,006,417</u>
Segment profit before taxation	225,815	167,440	97,367	2,745	22,367	515,734
Share of profit after tax of equity accounted associated company				92,254		92,254
Share of profit after tax of equity accounted joint venture				2,966		2,966
Profit before taxation						<u>610,954</u>
Taxation						(73,507)
Profit after taxation						<u><u>537,447</u></u>

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

Financial year ended 30/06/2014

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Others and Inter-Segment Elimination RM'000	Total RM'000
<u>By business segment</u>						
External revenue	2,385,398	531,314	1,274,900	185,320	(337,873)	4,039,059
Inter-segment revenue	14,763	451,346	(804,081)	-	337,972	-
Segment revenue	<u>2,400,161</u>	<u>982,660</u>	<u>470,819</u>	<u>185,320</u>	<u>99</u>	<u>4,039,059</u>
Segment profit before taxation	1,080,288	795,753	371,120	30,769	(43,334)	2,234,596
Share of profit after tax of equity accounted associated company				368,490		368,490
Share of profit after tax of equity accounted joint venture				10,135		10,135
Profit before taxation						<u>2,613,221</u>
Taxation						<u>(510,951)</u>
Profit after taxation						<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
Total assets						<u>170,350,803</u>

Corresponding quarter ended 30/06/2013

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Others and Inter-Segment Elimination RM'000	Total RM'000
<u>By business segment</u>						
External revenue	575,964	128,743	316,795	50,079	(96,600)	974,981
Inter-segment revenue	16,090	104,430	(198,903)	-	78,383	-
Segment revenue	<u>592,054</u>	<u>233,173</u>	<u>117,892</u>	<u>50,079</u>	<u>(18,217)</u>	<u>974,981</u>
Segment profit before taxation	252,280	130,663	79,383	15,657	(23,420)	454,563
Share of profit after tax of equity accounted associated company				73,422		73,422
Share of profit after tax of equity accounted joint venture				1,268		1,268
Profit before taxation						<u>529,253</u>
Taxation						<u>(112,819)</u>
Profit after taxation						<u>416,434</u>

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

Corresponding financial year ended 30/06/2013

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Others and Inter-Segment Elimination RM'000	Total RM'000
<u>By business segment</u>						
External revenue	2,446,090	457,063	1,266,566	193,254	(356,178)	4,006,795
Inter-segment revenue	(46,336)	455,623	(799,076)	-	389,789	-
Segment revenue	<u>2,399,754</u>	<u>912,686</u>	<u>467,490</u>	<u>193,254</u>	<u>33,611</u>	<u>4,006,795</u>
Segment profit before taxation	1,138,389	616,271	356,616	49,782	(35,190)	2,125,868
Share of profit after tax of equity accounted associated company				264,005		264,005
Share of profit after tax of equity accounted joint venture				3,074		3,074
Profit before taxation						<u>2,392,947</u>
Taxation						(536,675)
Profit after taxation						<u>1,856,272</u>
Segment assets	64,544,433	28,900,902	55,308,541	8,366,703	-	157,120,579
Unallocated assets						6,465,118
Total assets						<u>163,585,697</u>

A28 Property and equipment

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

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

There are no material events subsequent to the end of the financial year ended 30 June 2014.

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A29(b) Changes in the composition of the Group

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

- (a) On 4 July 2013, the Bank announced that Hong Leong Bank (Cambodia) PLC (“HLBCAM”), a wholly-owned subsidiary of the Bank, had been granted the license to carry out banking operations in the Kingdom of Cambodia by the National Bank of Cambodia. HLBCAM commenced operations on 8 July 2013.
- (b) On 11 October 2013, the Bank announced that the proposed acquisition of Promilia Berhad (“Promilia”) had been completed on the same day. With effect from 11 October 2013, Promilia became a wholly-owned subsidiary of the Bank.
- (c) On 27 November 2013, the Bank announced that the China Banking Regulatory Commission had granted approval for the Bank to establish a representative office in Nanjing, Jiangsu Province, People’s Republic of China. The representative office is known as Hong Leong Bank Berhad Nanjing Representative Office and commenced operations effective 27 November 2013.
- (d) CFB Asa Berhad and OFB Berhad, both wholly-owned subsidiaries of the Bank, were dissolved on 28 November 2013 and 19 May 2014 respectively.
- (e) During the financial year, Promitol Sdn Bhd (formerly known as EONCAP Islamic Bank Berhad) had reduced its issued and paid-up capital from RM612,371,007 divided into 612,371,007 ordinary shares of RM1.00 each to RM2.00 divided into 2 ordinary shares of RM1.00 each by cancelling 612,371,005 ordinary shares of RM1.00 each and returning the RM612,371,005 to its ordinary shareholder via cash payment.

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A30 Commitments and contingencies

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

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

	The Group		The Bank	
	30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
Principal Amount				
Direct credit substitutes	356,167	282,262	355,108	280,859
Certain transaction related contingent items	1,706,130	1,629,933	1,609,051	1,559,520
Short term self liquidating trade related contingencies	765,904	891,468	737,856	845,800
Forward asset purchases	37,432	-	37,432	-
Irrevocable commitments to extend credit:				
- maturity more than one year	17,251,829	14,108,639	14,568,131	11,415,226
- maturity less than one year	15,821,707	17,331,901	14,681,470	16,468,730
Foreign exchange related contracts:				
- less than one year	41,760,495	38,342,314	40,980,702	42,204,011
- one year to less than five years	4,369,268	3,649,055	4,369,456	3,682,060
- five years and above	598,871	603,465	598,871	603,465
Interest rate related contracts:				
- less than one year	45,035,485	17,140,615	44,935,485	17,040,615
- one year to less than five years	49,018,223	42,439,167	47,758,223	41,139,167
- five years and above	8,501,058	14,773,860	8,451,058	14,623,860
Equity related contracts:				
- less than one year	207,936	54,168	207,936	54,168
- one year to less than five years	94,310	-	94,310	-
Unutilised credit card lines	7,610,596	8,331,904	7,610,596	8,331,904
Total	193,135,411	159,578,751	186,995,685	158,249,385

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A31 Related party transactions

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

(a) Connected Parties (CP) Exposures

	The Group		The Bank	
	30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
Aggregate Value of Outstanding Credit Exposures with Connected Parties	6,329,379	5,797,369	6,119,610	5,739,418
Outstanding Credit Exposures to Connected Parties as a Proportion of Total Credit Exposures (%)	5.18%	5.08%	5.79%	5.79%
Outstanding Credit Exposures with Connected Parties Which is Non-Performing or in Default as a Proportion of Total Credit Exposures (%)	0.0004%	0.0009%	0.0004%	0.0010%

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A32 Fair value of financial instruments

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

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

(a) Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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A32 Fair value of financial instruments (continued)

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

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

	The Group			
	30 June 2014			
	Fair value			
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<i>Recurring fair value measurements</i>				
<u>Financial Assets</u>				
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	-	6,108,193	-	6,108,193
- Quoted Securities	6,000,978	-	-	6,000,978
- Unquoted Securities	-	4,200,722	367,316	4,568,038
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>
<u>Financial Liability</u>				
Derivative financial instruments	13,745	776,670	-	790,415

	The Group			
	30 June 2013			
	Fair value			
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<i>Recurring fair value measurements</i>				
<u>Financial Assets</u>				
Financial assets held-for-trading				
- Money market instrument	-	14,370,194	-	14,370,194
- Quoted Securities	241,701	-	-	241,701
- Unquoted Securities	-	583,887	-	583,887
Financial investments available-for-sale				
- Money market instrument	-	4,988,193	-	4,988,193
- Quoted Securities	5,925,384	-	-	5,925,384
- Unquoted Securities	-	2,583,522	329,963	2,913,485
Derivative financial instruments	1,536	875,608	-	877,144
	<u>6,168,621</u>	<u>23,401,404</u>	<u>329,963</u>	<u>29,899,988</u>
<u>Financial Liability</u>				
Derivative financial instruments	3,790	950,397	-	954,187

The Group recognise 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 (30 June 2013 - 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)

	The Bank 30 June 2014 Fair value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<i>Recurring fair value measurements</i>				
<u>Financial Assets</u>				
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	-	3,920,500	-	3,920,500
- Quoted Securities	5,907,161	-	-	5,907,161
- Unquoted Securities	-	3,537,447	367,269	3,904,716
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>
<u>Financial Liability</u>				
Derivative financial instruments	13,745	746,661	-	760,406

	The Bank 30 June 2013 Fair value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<i>Recurring fair value measurements</i>				
<u>Financial Assets</u>				
Financial assets held-for-trading				
- Money market instrument	-	11,475,365	-	11,475,365
- Quoted Securities	218,906	-	-	218,906
- Unquoted Securities	-	412,657	-	412,657
Financial investments available-for-sale				
- Money market instrument	-	3,416,859	-	3,416,859
- Quoted Securities	5,828,193	-	-	5,828,193
- Unquoted Securities	-	2,060,501	329,896	2,390,397
Derivative financial instruments	1,536	937,873	-	939,409
	<u>6,048,635</u>	<u>18,303,255</u>	<u>329,896</u>	<u>24,681,786</u>
<u>Financial Liability</u>				
Derivative financial instruments	3,790	1,007,459	-	1,011,249

The Bank recognise 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 (30 June 2013 - 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:

	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	<u>37,353</u>	<u>37,373</u>
At 30 June	<u><u>367,316</u></u>	<u><u>367,269</u></u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2014	<u><u>37,353</u></u>	<u><u>37,373</u></u>
	Financial investments available-for-sale	
	The Group RM'000	The Bank RM'000
At 1 July	310,985	310,916
Net fair value changes recognised in other comprehensive income	<u>18,978</u>	<u>18,980</u>
At 30 June	<u><u>329,963</u></u>	<u><u>329,896</u></u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2013	<u><u>18,978</u></u>	<u><u>18,980</u></u>

A33 Liquidity Risk

Please refer to Appendix A.

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Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B1 Review of performance

Current Quarter vs. Previous Year Corresponding Quarter

The Group recorded a pre-tax profit of RM610.9 million for the current financial quarter ended 30 June 2014, an increase of RM81.7 million or 15.4% as compared to previous corresponding quarter. The increase in pre-tax profit was mainly due to higher net income of RM31.4m, lower operating expenses of RM27.5 million, lower allowance for impairment losses on loans, advances and financing of RM4.0 million coupled with higher share of profit from Bank of Chengdu and joint venture totaling RM20.5 million. This was however offset by lower write back of impairment losses from securities of RM1.7 million.

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

Personal Financial Services

The Personal Financial Services's segment recorded a pre-tax profit of RM225.8 million for the 4th quarter ended June 2014 as compared to previous corresponding quarter of RM252.3 million.

Personal Financial Services's net loan base grew from RM63.9 billion in June 2013 to RM69.5 billion in June 2014.

Business and Corporate Banking

The Business and Corporate Banking's segment recorded a pre-tax profit of RM167.4 million for the 4th quarter ended June 2014 as compared to previous corresponding quarter of RM130.7 million.

Business and Corporate Banking's net loan base increased from RM28.8 billion in June 2013 to RM 30.0 billion in June 2014. Deposit base registered an increase from RM28.8 billion to RM30.0 billion. Higher pre-tax profit mainly due to higher total income, lower operating expenses and lower allowance for impairment on loans, advances and financing, offset by higher impairment losses.

Global Markets

The Global Market's segment recorded a pre-tax profit of RM97.4 million for the 4th quarter ended June 2014 as compared to previous corresponding quarter of RM79.4 million.

Treasury earning assets decreased from RM53.9 billion in June 2013 to RM52.6 billion in June 2014.

International Banking

The International Banking's segment recorded a pre-tax profit of RM98.0 million for the 4th quarter ended June 2014 as compared to previous corresponding quarter of RM90.3 million.

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B1 Review of performance (continued)

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

The Group pre-tax profit for the financial year ended 30 June 2014 stood at RM2,613.2 million, an increase of RM220.3 million or 9.2% as compared to RM2,392.9 million in the previous corresponding period. The increase was due to higher net income by RM32.3 million, lower operating expenses of RM54.8 million, higher net write back of impairment losses from securities of RM32.3 million and higher share of profit from Bank of Chengdu and joint venture totaling RM111.5 million. This is however mitigated by higher allowance for impairment losses on loans, advances and financing of RM10.6 million.

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

Personal Financial Services

The Personal Financial Services's segment recorded a pre-tax profit of RM1,080.3 million for the financial year ended 30 June 2014 as compared to corresponding period of RM1,138.4 million. The decrease in pre-tax profit due to higher operating expenses and higher allowance for impairment losses on loans, advances and financing, compensated with higher total income.

Business and Corporate Banking

The Group Business and Corporate Banking's segment recorded a pre-tax profit of RM795.8 million for the financial year ended 30 June 2014 as compared to corresponding period of RM616.3 million. Higher pre-tax profit contributed by higher total income, higher writeback of impairment losses and lower operating expenses, offset by higher allowance for impairment losses on loans, advances and financing.

Global Markets

The Global Market's segment recorded a pre-tax profit of RM371.1 million for the financial year ended 30 June 2014 as compared to corresponding period of RM356.6 million. Higher pre-tax profit mainly contributed from higher total income and higher writeback of impairment losses.

International Banking

The International Banking's segment recorded a pre-tax profit of RM409.4 million for the financial year ended 30 June 2014 as compared to corresponding period of RM316.9 million.

B2 Current Quarter vs. Preceding Quarter

For the current financial quarter, the Group recorded a pre-tax profit of RM610.9 million as compared to RM639.5 million in the preceding quarter, a decrease of RM28.6 million arising from higher operating expenses of RM56.6 million, lower write back of impairment losses from securities of RM18.9 million and lower share of profit from Bank of Chengdu and joint venture of RM12.0 million. This is however netted off by higher net income of RM58.1 million coupled with lower allowance for impairment losses on loans, advances and financing of RM0.8 million.

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B3 Prospects for the new financial year 2014/2015

The Group will continue to focus on building a higher performance business and strengthen the foundations for sustainable profitability through a full Universal Banking Model in the domestic market and deepening our niche market offerings in regional businesses.

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

B4 Variance in profit forecast and shortfall in profit guarantee

This note is not applicable to the Group.

B5 Taxation

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
	RM'000	RM'000	RM'000	RM'000
The Group				
Malaysian income tax	55,933	138,672	500,012	558,004
Transfer (to)/from deferred taxation	17,574	(25,853)	10,939	(21,329)
	<u>73,507</u>	<u>112,819</u>	<u>510,951</u>	<u>536,675</u>

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
	RM'000	RM'000	RM'000	RM'000
The Bank				
Malaysian income tax	29,535	129,503	455,683	547,619
Transfer (to)/from deferred taxation	17,738	(24,886)	11,103	(24,381)
	<u>47,273</u>	<u>104,617</u>	<u>466,786</u>	<u>523,238</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 year under review.

B7 Purchase and disposal of quoted securities

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

B8 Status of corporate proposals

There were no corporate proposals announced but not completed at the latest practicable date which was not earlier than 7 days from the issue of this report.

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B9 Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 30 June 2014:

The Group

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
Forwards			
(i) Less than 1 year	31,834,067	191,513	(234,697)
(ii) 1 year to 3 years	351,223	2,160	(3,928)
Swaps			
(i) Less than 1 year	5,690,038	66,034	(48,120)
(ii) 1 year to 3 years	831,697	30,583	(26,381)
(iii) More than 3 years	3,785,219	74,337	(76,319)
Options			
(i) Less than 1 year	4,236,390	12,282	(12,940)
Interest rate related contracts			
Futures			
(i) Less than 1 year	28,700,845	951	(3,015)
(ii) 1 year to 3 years	8,911,717	624	(1,359)
Swaps			
(i) Less than 1 year	16,334,640	12,035	(18,527)
(ii) 1 year to 3 years	22,276,354	62,920	(72,124)
(iii) More than 3 years	26,331,210	232,853	(291,856)
Equity related contracts			
(i) Less than 1 year	207,936	1,149	(1,149)
(ii) 1 year to 3 years	94,310	-	-
Total	149,585,646	687,441	(790,415)

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B9 Off-balance sheet financial instruments (continued)

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

The Group

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

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B9 Off-balance sheet financial instruments (continued)

Details of financial instruments with off-balance sheet risk as at 30 June 2014:

The Bank

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
Forwards			
(i) Less than 1 year	31,147,342	190,295	(229,122)
(ii) 1 year to 3 years	351,411	1,126	(2,949)
Swaps			
(i) Less than 1 year	5,596,970	64,877	(47,412)
(ii) 1 year to 3 years	831,697	30,583	(26,381)
(iii) More than 3 years	3,785,219	74,337	(76,319)
Options			
(i) Less than 1 year	4,236,390	12,282	(12,940)
Interest rate related contracts			
Futures			
(i) Less than 1 year	28,700,845	951	(3,015)
(ii) 1 year to 3 years	8,911,717	624	(1,359)
Swaps			
(i) Less than 1 year	16,234,640	11,977	(18,527)
(ii) 1 year to 3 years	21,876,354	59,952	(70,061)
(iii) More than 3 years	25,421,210	222,171	(271,172)
Equity related contracts			
(i) Less than 1 year	207,936	1,150	(1,149)
(ii) 1 year to 3 years	94,310	-	-
Total	147,396,041	670,325	(760,406)

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B9 Off-balance sheet financial instruments (continued)

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

The Bank

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
Forwards			
(i) Less than 1 year	29,468,496	230,869	(232,506)
(ii) 1 year to 3 years	179,602	296	(2,257)
Swaps			
(i) Less than 1 year	8,821,464	117,160	(165,714)
(ii) 1 year to 3 years	989,845	13,347	(13,938)
(iii) More than 3 years	2,864,735	70,888	(85,567)
Options			
(i) Less than 1 year	3,914,051	32,849	(30,562)
(ii) 1 year to 3 years	251,343	4,896	(4,896)
Interest rate related contracts			
Futures			
(i) Less than 1 year	1,899,258	129	(1,896)
(ii) 1 year to 3 years	50,001	-	(116)
(iii) More than 3 years	81,462	53	(12)
Swaps			
(i) Less than 1 year	15,141,357	24,259	(22,422)
(ii) 1 year to 3 years	24,543,960	65,362	(96,940)
(iii) More than 3 years	31,087,604	377,699	(352,821)
Equity related contracts			
(i) Less than 1 year	54,168	1,602	(1,602)
Total	119,347,346	939,409	(1,011,249)

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B9 Off-balance sheet financial instruments (continued)

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

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial period, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM2,836,683,390 (FYE June 2013: RM1,306,394,187) and RM75,231,277,308 (FYE June 2013: RM67,883,822,274) respectively.

Derivatives

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

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial year, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM796,624,194 (FYE June 2013: RM907,598,806). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Derivatives

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

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

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

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

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B9 Off-balance sheet financial instruments (continued)

Credit risk (continued)

Derivatives (continued)

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

The notional amounts of certain types of financial instrument provide a basis for comparison with instruments recognised on the 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

Liquidity risk

Derivatives

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

Related accounting policies

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

Fair value hedge

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

Cash flow hedge

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

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B10 Material litigation

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

B11 Dividend

A final single tier dividend of 26.0 sen per share has been proposed for the current quarter.

- (i) Amount per share: 26.0 sen.
- (ii) Previous corresponding quarter: 30.0 sen per share (less 25% taxation).
- (iii) Entitlement date: To be announced later.
- (iv) Payment date: To be announced later.

B12 Realised and Unrealised Profits

	The Group	
	Financial Year Ended 30/06/2014	Financial Year Ended 30/06/2013
	RM'000	RM'000
Total retained profits of Hong Leong Bank Berhad and its subsidiaries		
- Realised	5,327,227	4,233,197
- Unrealised	637,892	937,705
	5,965,119	5,170,902
Total share of retained profits from associated company		
- Realised	1,303,484	934,994
Total share of retained profits from joint venture		
- Realised	13,369	3,234
	7,281,972	6,109,130
Less: Consolidation Adjustment	(92,868)	88,242
Total Group's Retained Profit	7,189,104	6,197,372

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

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

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B13 Earnings per share

(a) Basic earnings per share

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

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
<u>The Group</u>				
Net profit attributable to shareholders of the company	537,447	416,434	2,102,270	1,856,272
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	(118,714)	(125,565)	(118,714)	(125,565)
	<u>1,761,195</u>	<u>1,754,344</u>	<u>1,761,195</u>	<u>1,754,344</u>
Basic earnings per share (sen)	30.5	23.7	119.4	105.8
<u>The Bank</u>				
Net profit attributable to shareholders of the company	369,095	248,291	1,590,939	1,450,454
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	(118,714)	(125,565)	(118,714)	(125,565)
	<u>1,761,195</u>	<u>1,754,344</u>	<u>1,761,195</u>	<u>1,754,344</u>
Basic earnings per share (sen)	21.0	14.2	90.3	82.7

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B13 Earnings per share (continued)

(b) Fully diluted earnings per share

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

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
<u>The Group</u>				
Net profit attributable to shareholders of the company	537,447	416,434	2,102,270	1,856,272
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,761,195	1,754,344	1,761,195	1,754,344
- adjustment for ESOS	352	1,805	352	1,805
	1,761,547	1,756,149	1,761,547	1,756,149
Fully diluted earnings per share (sen)	30.5	23.7	119.3	105.7
<u>The Bank</u>				
Net profit attributable to shareholders of the company	369,095	248,291	1,590,939	1,450,454
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,761,195	1,754,344	1,761,195	1,754,344
- adjustment for ESOS	352	1,805	352	1,805
	1,761,547	1,756,149	1,761,547	1,756,149
Fully diluted earnings per share (sen)	21.0	14.1	90.3	82.6

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A33 Liquidity Risk

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

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

	The Group							Total
	30 June 2014							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Assets								
Cash and short-term funds	8,099,425	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
Total assets	21,058,510	20,045,774	12,412,873	7,097,731	4,171,470	96,516,472	9,047,973	170,350,803

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A33 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							Total
	30 June 2014							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Liabilities								
Deposits from customers	47,585,319	20,704,847	25,308,965	15,022,784	17,670,231	3,960,191	-	130,252,337
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
Provision for taxation	-	-	-	-	-	-	49,581	49,581
Deferred tax liabilities	-	-	-	-	-	-	133,761	133,761
Total liabilities	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
Total liabilities and equity	54,111,270	25,462,483	28,632,210	15,762,354	18,071,596	13,188,736	15,122,154	170,350,803
Net liquidity gap	(33,052,760)	(5,416,709)	(16,219,337)	(8,664,623)	(13,900,126)	83,327,736	8,455,997	14,530,178

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A33 Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2013 based on the remaining contractual maturity:

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

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A33 Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2013 based on the remaining contractual maturity: (continued)

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

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A33 Liquidity Risk (continued)

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

	The Bank							Total
	30 June 2014							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Assets								
Cash and short-term funds	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	361,473	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
Total assets	19,847,800	19,422,997	11,259,985	5,984,925	3,670,595	80,073,218	8,562,356	148,821,876

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A33 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							Total
	30 June 2014							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Liabilities								
Deposits from customers	40,927,807	18,431,712	20,814,066	13,950,025	16,558,748	3,416,477	-	114,098,835
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
Provision for taxation	-	-	-	-	-	-	24,364	24,364
Deferred tax liabilities	-	-	-	-	-	-	134,919	134,919
Total liabilities	45,958,322	22,947,772	23,467,396	14,399,616	16,956,288	12,221,220	540,764	136,491,378
Total equity	-	-	-	-	-	-	12,330,498	12,330,498
Total liabilities and equity	45,958,322	22,947,772	23,467,396	14,399,616	16,956,288	12,221,220	12,871,262	148,821,876
Net liquidity gap	(26,110,522)	(3,524,775)	(12,207,411)	(8,414,691)	(13,285,693)	67,851,998	8,021,592	12,330,498

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A33 Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2013 based on the remaining contractual maturity:

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

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A33 Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2013 based on the remaining contractual maturity: (continued)

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