

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Attributable to owners of the parent

<u>The Group</u>	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair Value Reserve RM'000	Cash Flow Hedge Reserve RM'000	Share Options Reserve RM'000	Regulatory Reserves * RM'000	Exchange Fluctuation Reserve RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total Shareholders' Equity RM'000
At 1 July 2015	1,879,909	2,872,183	3,575,114	207,975	162	-	399,357	683,966	7,819,514	(648,588)	16,789,592
<u>Comprehensive income</u>											
Net profit for the financial period	-	-	-	-	-	-	-	-	502,961	-	502,961
- Share of other comprehensive income of associated company	-	-	-	5,201	-	-	-	-	-	-	5,201
- Net fair value changes in financial investments available-for-sale	-	-	-	(59,273)	-	-	-	-	-	-	(59,273)
- Net fair value changes in cash flow hedge	-	-	-	-	1,997	-	-	-	-	-	1,997
- Currency translation differences	-	-	-	-	-	-	-	519,774	-	-	519,774
Total comprehensive (loss)/income	-	-	-	(54,072)	1,997	-	-	519,774	502,961	-	970,660
<u>Transactions with owners</u>											
Transfer to statutory reserve	-	-	105,059	-	-	-	-	-	(105,059)	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	52,711	-	(52,711)	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(14,157)	(14,157)
Option charge arising from ESOS granted	-	-	-	-	-	5,177	-	-	-	-	5,177
Total transactions with owners	-	-	105,059	-	-	5,177	52,711	-	(157,770)	(14,157)	(8,980)
At 30 September 2015	1,879,909	2,872,183	3,680,173	153,903	2,159	5,177	452,068	1,203,740	8,164,705	(662,745)	17,751,272
At 1 July 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
<u>Comprehensive income</u>											
Net profit for the financial period	-	-	-	-	-	-	-	-	547,568	-	547,568
- Share of other comprehensive loss of associated company	-	-	-	(1,019)	-	-	-	-	-	-	(1,019)
- Net fair value changes in financial investments available-for-sale	-	-	-	(9,791)	-	-	-	-	-	-	(9,791)
- Currency translation differences	-	-	-	-	-	-	-	14,224	-	-	14,224
Total comprehensive (loss)/income	-	-	-	(10,810)	-	-	-	14,224	547,568	-	550,982
<u>Transactions with owners</u>											
Transfer to statutory reserve	-	-	114,115	-	-	-	-	-	(114,115)	-	-
Sale of treasury shares	-	39,212	-	-	-	-	-	-	-	26,428	65,640
ESOS exercised	-	-	-	-	-	(624)	-	-	753	2,382	2,511
Option charge arising from ESOS granted	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	39,212	114,115	-	-	(624)	-	-	(113,362)	28,810	68,151
At 30 September 2014	1,879,909	2,871,595	3,195,243	175,634	-	1,994	10,266	8,129	7,623,310	(616,769)	15,149,311

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

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

HONG LEONG BANK BERHAD
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Condensed Financial Statements
Unaudited Statements of Changes in Equity For The Financial Period Ended 30 September 2015

	Non-distributable							Distributable		Treasury Shares RM'000	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair Value Reserve RM'000	Cash Flow Hedge Reserve RM'000	Share Options Reserve RM'000	Regulatory Reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Profits RM'000		
The Bank											
At 1 July 2015	1,879,909	2,872,183	3,084,249	214,109	162	-	334,138	38,798	5,653,204	(648,588)	13,428,164
<u>Comprehensive income</u>											
Net profit for the financial period	-	-	-	-	-	-	-	-	375,229	-	375,229
- Net fair value changes in financial investments available-for-sale	-	-	-	(47,047)	-	-	-	-	-	-	(47,047)
- Net fair value changes in cash flow hedge	-	-	-	-	1,997	-	-	-	-	-	1,997
- Currency translation differences	-	-	-	-	-	-	-	2,230	-	-	2,230
Total comprehensive (loss)/income	-	-	-	(47,047)	1,997	-	-	2,230	375,229	-	332,409
<u>Transactions with owners</u>											
Transfer to statutory reserve	-	-	93,807	-	-	-	-	-	(93,807)	-	-
Transfer to regulatory reserve	-	-	-	-	-	52,551	-	-	(52,551)	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(14,157)	(14,157)
Option charge arising from ESOS granted	-	-	-	-	-	5,177	-	-	-	-	5,177
Total transactions with owners	-	-	93,807	-	-	5,177	52,551	-	(146,358)	(14,157)	(8,980)
At 30 September 2015	1,879,909	2,872,183	3,178,056	167,062	2,159	5,177	386,689	41,028	5,882,075	(662,745)	13,751,593
At 1 July 2014	1,879,909	2,832,383	2,640,258	208,942	-	2,618	-	36,897	5,375,070	(645,579)	12,330,498
<u>Comprehensive income</u>											
Net profit for the financial period	-	-	-	-	-	-	-	-	409,401	-	409,401
- Net fair value changes in financial investments available-for-sale	-	-	-	(9,382)	-	-	-	-	-	-	(9,382)
- Currency translation differences	-	-	-	-	-	-	-	(1,967)	-	-	(1,967)
Total comprehensive (loss)/income	-	-	-	(9,382)	-	-	-	(1,967)	409,401	-	398,052
<u>Transactions with owners</u>											
Transfer to statutory reserve	-	-	102,350	-	-	-	-	-	(102,350)	-	-
Sale of treasury shares	-	39,212	-	-	-	-	-	-	-	26,428	65,640
ESOS exercised	-	-	-	-	-	(624)	-	-	753	2,382	2,511
Option charge arising from ESOS granted	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	39,212	102,350	-	-	(624)	-	-	(101,597)	28,810	68,151
At 30 September 2014	1,879,909	2,871,595	2,742,608	199,560	-	1,994	-	34,930	5,682,874	(616,769)	12,796,701

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

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

Condensed Financial Statements
Unaudited Condensed Statements of Cash Flows
For The Financial Period Ended 30 September 2015

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

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

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

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

A1 Basis of preparation

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

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

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

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

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

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

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

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

The Group and the Bank have complied to the new requirements to classify loans/financing as rescheduled and restructured. The Group and the Bank have early adopted the requirement for a banking institution to maintain, in aggregate, collective impairment allowance and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowance since financial year 30 June 2015. The regulatory reserve is maintained in addition to the collective impairment allowance required under the MFRS 139 Financial Instruments: Recognition and Measurement, and it will be set aside from the retained profits to a separate reserve within equity as an additional credit risk absorbent. The regulatory reserve is not qualified as Common Equity Tier 1 capital under BNM's Capital Adequacy Framework (Capital Components).

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

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A1 Basis of preparation (continued)

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

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

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

A3 Seasonality or cyclicity of operations

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

A4 Exceptional items or unusual events affecting financial statements

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

A5 Variation from financial estimates reported in preceding financial period

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

A6 Issuance and repayment of debt and equity securities

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

a) Share Buy-back

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

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

b) Purchase of shares pursuant to ESOS

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

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

b) Purchase of shares pursuant to ESOS (continued)

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

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

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

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

c) Repayment of debt and equity securities

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

A7 Dividends paid

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

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A8 Financial assets held-for-trading

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

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A9 Financial investments available-for-sale

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

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A10 Financial investments held-to-maturity

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

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A11 Loans, advances and financing

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2015</u>	<u>30/06/2015</u>	<u>30/09/2015</u>	<u>30/06/2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Overdrafts	4,082,640	4,005,025	3,849,381	3,787,272
Term loans/financing:				
- Housing and shop loans/financing	55,703,405	53,828,770	46,468,568	45,074,437
- Syndicated/term loans or financing	9,351,685	9,038,647	8,117,602	7,944,110
- Hire purchase receivables	18,323,338	18,099,246	14,875,122	14,631,741
- Other term loans/financing	9,038,607	8,676,463	7,487,484	7,151,025
Credit/charge card receivables	3,816,429	3,889,314	3,816,429	3,889,314
Bills receivable	1,226,554	1,166,833	1,213,733	1,155,997
Trust receipts	334,723	322,780	261,866	251,752
Claims on customers under acceptance credits	7,101,401	7,369,680	6,741,930	7,051,254
Block discounting	14	14	14	14
Revolving credit	6,849,978	6,549,079	5,617,175	5,301,689
Staff loans/financing	163,855	167,479	151,650	154,767
Other loans/financing	338,949	304,960	332,470	297,986
Gross loans, advances and financing	<u>116,331,578</u>	<u>113,418,290</u>	<u>98,933,424</u>	<u>96,691,358</u>
Unamortised fair value changes arising from terminated fair value hedges	(1,870)	(2,188)	295	547
Allowance for impaired loans, advances and financing:				
- Collective assessment allowance	(950,819)	(969,033)	(796,936)	(822,488)
- Individual assessment allowance	(316,165)	(322,960)	(297,988)	(305,924)
Total net loans, advances and financing	<u><u>115,062,724</u></u>	<u><u>112,124,109</u></u>	<u><u>97,838,795</u></u>	<u><u>95,563,493</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>30/09/2015</u>	<u>30/06/2015</u>	<u>30/09/2015</u>	<u>30/06/2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Domestic non-bank financial institutions	603,209	638,549	11,896	88,620
Domestic business enterprises:				
- small and medium enterprises	17,841,165	17,771,812	16,107,222	16,036,000
- others	18,643,946	18,372,803	16,120,882	15,997,698
Government and statutory bodies	26,918	24,448	14,991	12,473
Individuals	72,650,245	70,958,690	60,407,501	59,198,892
Other domestic entities	195,028	171,386	167,750	144,676
Foreign entities	6,371,067	5,480,602	6,103,182	5,212,999
Gross loans, advances and financing	<u>116,331,578</u>	<u>113,418,290</u>	<u>98,933,424</u>	<u>96,691,358</u>

A11b By interest/profit rate sensitivity

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

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A11 Loans, advances and financing (continued)

A11c By economic purpose

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

A11d By geographical distribution

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

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A11 Loans, advances and financing (continued)

A11e By residual contractual maturity

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

A11f Impaired loans, advances and financing by economic purpose

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

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A11 Loans, advances and financing (continued)

A11g Impaired loans, advances and financing by geographical distribution

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

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

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

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A11 Loans, advances and financing (continued)

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

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

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A12 Other assets

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

A13 Deposits from customers

A13a By type of deposit

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

* The Group and the Bank have issued structured deposits (Callable Range Accrual Notes) and designated them at fair value through profit or loss. This designation is permitted under MFRS 139 "Financial Instruments: Recognition and Measurement" as it significantly reduces accounting mismatch. These instruments are managed by the Group on the basis of its fair value and includes terms that have substantive derivative characteristic. The structured deposits designated at fair value amounted to RM1,445 million (2015: RM1,542 million) for the Group and RM1,192 million (2015: RM1,214 million) for the Bank respectively.

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A13 Deposits from customers (continued)

A13b By type of customer

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

A13c The maturity structure of fixed deposits, negotiable instruments of deposits and short-term placements are as follows:

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

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A14 Deposits and placements of banks and other financial institutions

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

A15 Other liabilities

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

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A16 Senior bonds

		<u>The Group and The Bank</u>	
		<u>30/09/2015</u>	<u>30/06/2015</u>
		<u>RM'000</u>	<u>RM'000</u>
	Note		
USD 300 million senior bonds, at par	(a)	916,350	916,350
USD 300 million senior bonds, at par	(b)	919,200	919,200
Foreign exchange translations		802,950	435,750
		<u>2,638,500</u>	<u>2,271,300</u>
Add: Interest payable		<u>20,475</u>	<u>19,401</u>
		2,658,975	2,290,701
Less: Unamortised discounts		<u>(3,876)</u>	<u>(4,321)</u>
		<u><u>2,655,099</u></u>	<u><u>2,286,380</u></u>

(a) On 17 March 2011, the Bank issued USD300.0 million in aggregate principal amount of Senior Bonds ("the Bonds"), which will mature in 2016. The Bonds bear interest at the rate of 3.75% is payable semi-annually. The Bonds were issued at a price of 99.761 per cent of the principal amount of the Bonds.

The Bonds will constitute direct, general, unsubordinated and (subject to the provisions of Negative Pledge Condition) unsecured obligations of the Bank which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Bank.

(b) On 20 April 2012, HLB completed its inaugural US dollar senior unsecured notes issuance of USD300.0 million (the "Senior Notes") under its Euro Medium Term Note Programme of up to USD1.5 billion (or its equivalent in other currencies) in nominal value (the "Programme") which was established on 9 April 2012.

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

A17 Tier 2 subordinated bonds

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

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A17 Tier 2 subordinated bonds (continued)

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

(a) On 10 August 2010, HLB had completed the first issuance of RM700.0 million nominal value of Tier 2 Subordinated Debt ("Sub Debt") out of its RM1.7 billion Tier 2 Subordinated Notes Programme. The RM700.0 million Sub Debt will mature in 2020 and is callable at the end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The Sub Debt which bears interest of 4.85% per annum is payable semi-annually in arrears.

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

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

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A17 Tier 2 subordinated bonds (continued)

- (b) On 5 May 2011, HLB issued the remaining RM1.0 billion nominal value of Sub Debt which will mature in 2021 and is callable at the end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The second issuance of Sub Debt bears interest at the rate of 4.35% per annum and is payable semi-annually in arrears.

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

- (c) On 27 February 2009, Promino Sdn Bhd ("Promino"), a wholly owned subsidiary of the Bank, has successfully issued the first tranche of RM410.0 million nominal value of the 10 non-callable 5 years Subordinated Medium Term Notes ("MTN") callable on 27 February 2014 (and thereafter) and due on 27 February 2019 under the RM2.0 billion Subordinated MTN Programme. The coupon rate of the Subordinated MTN is 5.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should Promino decide not to exercise its call option on the fifth (5) year from the issue date, the coupon rate will be revised to be equivalent to 7.75% or the then prevailing 5 years RM swap rate plus 3.70% per annum, whichever is higher, from the beginning of the sixth (6) year to the final maturity date.

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

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

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

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

On 2 December 2014, HLB had fully redeemed the second tranche of RM250.0 million nominal value of the 10 non-callable 5 years subordinated MTNs bearing coupon rate of 5.75% per annum.

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A17 Tier 2 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, Hong Leong Islamic Bank Berhad ("HLISB"), a wholly owned subsidiary of the Bank, had completed the first issuance of RM400.0 million nominal value of Tier 2 Subordinated Sukuk Ijarah ("Subordinated Sukuk Ijarah") out of its RM1.0 billion Tier 2 Subordinated Sukuk Ijarah Programme. The RM400.0 million Subordinated Sukuk Ijarah will mature in 2024 and is callable at end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The Subordinated Sukuk Ijarah which bears profit rate of 4.80% per annum is payable semi-annually in arrears.

The Subordinated Sukuk Ijarah constitute direct, unconditional, subordinated and unsecured obligations of HLISB and subordinated in right and priority of payment, to the extent and in the manner provided in the Subordinated Sukuk Ijarah, ranking *pari passu* among themselves. The Subordinated Sukuk Ijarah is subordinated in right of payment to all deposit liabilities and other liabilities of HLISB, except to those liabilities, which by their terms, rank equally in right of payment with or are subordinated to the Subordinated Sukuk Ijarah. The Subordinated Sukuk Ijarah qualifies as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLISB.

- (f) On 23 June 2014, HLB had completed the first issuance of RM500.0 million nominal value of Tier 2 Sub Notes out of its RM10.0 billion Multi-Currency Sub Notes Programme. The RM500.0 million Sub Notes will mature in 2024 and is callable on any coupon payment date falling on or after the 5th anniversary of the issue date. The Sub Notes which bears interest rate of 4.80% per annum is payable semi-annually in arrears. The exercise of the call option on the Sub Notes shall be subject to the approval of BNM.

The Sub Notes constitute unsecured liabilities of the Bank, and is subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue, except to those liabilities, which by their terms, rank equally in right of payment with or are subordinated to the Sub Notes. The Sub Notes qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

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A18 Non-innovative Tier 1 stapled securities

	<u>The Group and The Bank</u>	
	<u>30/09/2015</u>	<u>30/06/2015</u>
	<u>RM'000</u>	<u>RM'000</u>
RM1.4 billion Non-Innovative Tier 1 stapled securities, at par	1,400,000	1,400,000
Add: Interest payable	28,861	11,040
	<u>1,428,861</u>	<u>1,411,040</u>
Less: Unamortised discounts	(87)	(171)
	<u><u>1,428,774</u></u>	<u><u>1,410,869</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>30/09/2015</u>	<u>30/06/2015</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	2,372	12,771
	<u>502,372</u>	<u>512,771</u>
Less: Unamortised discounts	(6,937)	(7,367)
Fair value adjustments on completion of business combination accounting	22,012	24,819
	<u><u>517,447</u></u>	<u><u>530,223</u></u>

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

The RM500.0 million IT-1 Capital Securities has a tenor of 30 years and Promino has the option to redeem the RM500.0 million IT-1 Capital Securities at the 10th anniversary, subject to BNM approval. The RM500.0 million IT-1 Capital Securities has a coupon rate of 8.25% per annum, payable semi-annually. In the event the IT-1 Capital Securities is not redeemed at the 10th anniversary (the First Optional Redemption Date), the coupon rate will be revised to 9.25% per annum from the 11th year to the final maturity.

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

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A20 Interest income

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

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

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A21 Interest expense

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

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

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A22 Net income from Islamic Banking business

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

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A23 Other operating income

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

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A23 Other operating income (continued)

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

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A23 Other operating income (continued)

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

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A23 Other operating income (continued)

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

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A24 Other operating expenses

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

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A24 Other operating expenses (continued)

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

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

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

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

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A26 Capital adequacy

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

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

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

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

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A26 Capital adequacy (continued)

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

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

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

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

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A26 Capital adequacy (continued)

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

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

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

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

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A27 Group segmental reporting on revenue, profit and assets

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

The various business segments are described below:

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

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

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

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

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

Financial quarter ended 30/09/2015

	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	656,827	111,014	316,070	52,477	(113,152)	1,023,236
Inter-segment revenue	(63,645)	127,484	(189,383)	-	125,544	-
Segment revenue	<u>593,182</u>	<u>238,498</u>	<u>126,687</u>	<u>52,477</u>	<u>12,392</u>	<u>1,023,236</u>
Segment profit before taxation	248,643	184,363	101,410	3,774	1,177	539,367
Share of profit after tax of equity accounted associated company				80,406		80,406
Share of profit after tax of equity accounted joint venture				5,061		5,061
Profit before taxation						<u>624,834</u>
Taxation						(121,873)
Profit after taxation						<u><u>502,961</u></u>

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

Financial period ended 30/09/2015

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

Corresponding quarter ended 30/09/2014

	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	630,711	140,199	318,876	49,061	(124,289)	1,014,558
Inter-segment revenue	(35,655)	92,626	(195,002)	-	138,031	-
Segment revenue	<u>595,056</u>	<u>232,825</u>	<u>123,874</u>	<u>49,061</u>	<u>13,742</u>	<u>1,014,558</u>
Segment profit before taxation	263,099	208,536	99,217	9,968	24,304	605,124
Share of profit after tax of equity accounted associated company				95,406		95,406
Share of profit after tax of equity accounted joint venture				3,405		3,405
Profit before taxation						<u>703,935</u>
Taxation						(156,367)
Profit after taxation						<u>547,568</u>

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

Corresponding financial period ended 30/09/2014

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Others and Inter-Segment Elimination RM'000	Total RM'000
<u>By business segment</u>						
External revenue	630,711	140,199	318,876	49,061	(124,289)	1,014,558
Inter-segment revenue	(35,655)	92,626	(195,002)	-	138,031	-
Segment revenue	<u>595,056</u>	<u>232,825</u>	<u>123,874</u>	<u>49,061</u>	<u>13,742</u>	<u>1,014,558</u>
Segment profit before taxation	263,099	208,536	99,217	9,968	24,304	605,124
Share of profit after tax of equity accounted associated company				95,406		95,406
Share of profit after tax of equity accounted joint venture				3,405		3,405
Profit before taxation						<u>703,935</u>
Taxation						(156,367)
Profit after taxation						<u>547,568</u>
Segment assets	71,669,106	28,492,785	61,717,501	7,953,294	-	169,832,686
Unallocated assets						8,486,574
Total assets						<u>178,319,260</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 period ended 30 September 2015.

A29(b) Changes in the composition of the Group

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

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

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A30 Commitments and contingencies

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

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

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

A31 Related party transactions

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

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A32 Fair value of financial instruments

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

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

(a) Determination of fair value and fair value hierarchy

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

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

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

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

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

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A32 Fair value of financial instruments (continued)

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

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

	The Group			
	Financial Period Ended 30/09/2015			
	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	-	7,735,621	-	7,735,621
- Quoted Securities	426,719	-	-	426,719
- Unquoted Securities	-	326,199	-	326,199
Financial investments available-for-sale				
- Money market instrument	-	5,682,675	-	5,682,675
- Quoted Securities	11,156,030	-	-	11,156,030
- Unquoted Securities	-	6,078,207	395,555	6,473,762
Derivative financial instruments	42	2,221,269	9,867	2,231,178
	<u>11,582,791</u>	<u>22,043,971</u>	<u>405,422</u>	<u>34,032,184</u>
<u>Financial Liability</u>				
Derivative financial instruments	<u>2,959</u>	<u>2,499,371</u>	<u>9,867</u>	<u>2,512,197</u>

	The Group			
	Financial Year Ended 30/06/2015			
	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	-	6,534,085	-	6,534,085
- Quoted Securities	379,216	-	-	379,216
- Unquoted Securities	-	218,133	-	218,133
Financial investments available-for-sale				
- Money market instrument	-	5,149,771	-	5,149,771
- Quoted Securities	9,055,856	-	-	9,055,856
- Unquoted Securities	-	5,706,839	394,887	6,101,726
Derivative financial instruments	42	1,417,935	6,952	1,424,929
	<u>9,435,114</u>	<u>19,026,763</u>	<u>401,839</u>	<u>28,863,716</u>
<u>Financial Liability</u>				
Derivative financial instruments	<u>2,959</u>	<u>1,277,815</u>	<u>6,952</u>	<u>1,287,726</u>

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

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A32 Fair value of financial instruments (continued)

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

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

	The Bank			
	Financial Period Ended 30/09/2015			
	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	-	7,507,086	-	7,507,086
- Quoted Securities	426,719	-	-	426,719
- Unquoted Securities	-	326,199	-	326,199
Financial investments available-for-sale				
- Money market instrument	-	4,390,440	-	4,390,440
- Quoted Securities	10,971,018	-	-	10,971,018
- Unquoted Securities	-	5,315,722	395,555	5,711,277
Derivative financial instruments	42	2,185,515	9,867	2,195,424
	<u>11,397,779</u>	<u>19,724,962</u>	<u>405,422</u>	<u>31,528,163</u>
<u>Financial Liability</u>				
Derivative financial instruments	<u>2,959</u>	<u>2,424,559</u>	<u>9,867</u>	<u>2,437,385</u>

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

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

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A32 Fair value of financial instruments (continued)

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

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

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

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A32 Fair value of financial instruments (continued)

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

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

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

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

B1 Review of performance

Current Quarter vs. Previous Year Corresponding Quarter

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

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

Personal Financial Services

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

Business and Corporate Banking

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

Global Markets

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

International Banking

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

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B2 Current Quarter vs. Preceding Quarter

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

B3 Current year prospects

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

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

Given a tougher operating environment, we continue to place emphasis in scaling efficiency and productivity through strategic cost and portfolio management, and embedding service excellence through multi-channel customer management to optimise customer experience. In the digital front, we remain focused on introducing new innovative features and products as part of our efforts to offer “Best-in-Class” digital platform and e-payment capabilities.

B4 Variance in profit forecast and shortfall in profit guarantee

This note is not applicable to the Group.

B5 Taxation

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

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

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B6 Profit on sale of unquoted investments/properties

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

B7 Purchase and disposal of quoted securities

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

B8 Status of corporate proposals

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

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

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

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

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

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

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

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

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

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B9 Off-balance sheet financial instruments

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

The Group

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

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B9 Off-balance sheet financial instruments (continued)

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

The Group

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

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B9 Off-balance sheet financial instruments (continued)

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

The Bank

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

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B9 Off-balance sheet financial instruments (continued)

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

The Bank

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

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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 RM2,268,150 (FYE June 2015: RM33,684,338) and RM67,725,525,668 (FYE June 2015: RM63,369,478,507) respectively.

Derivatives

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

Credit risk

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

Derivatives

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

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

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

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

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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 from time to time.

Liquidity risk

Derivatives

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

Related accounting policies

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

Fair value hedge

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

Cash flow hedge

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

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B10 Material litigation

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

B11 Dividend

No interim dividend has been proposed for the current quarter.

B12 Realised and Unrealised Profits

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

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

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B13 Earnings per share

(a) Basic earnings per share

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

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

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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.

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