

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

Condensed Financial Statements
Unaudited Statements of Financial Position As At 31 December 2015

	Note	The Group		The Bank	
		As at 31/12/2015 RM'000	As at 30/06/2015 RM'000	As at 31/12/2015 RM'000	As at 30/06/2015 RM'000
ASSETS					
Cash and short-term funds		7,046,248	6,230,283	6,814,156	4,972,372
Deposits and placements with banks and other financial institutions		1,459,984	3,982,119	1,030,972	4,340,892
Securities purchased under resale agreements		4,415,354	12,163,252	4,415,354	12,163,252
Financial assets held-for-trading	A8	11,948,076	7,131,434	11,607,479	7,123,538
Financial investments available-for-sale	A9	21,872,958	20,307,353	19,894,128	17,370,438
Financial investments held-to-maturity	A10	11,370,780	9,950,081	9,551,455	8,618,741
Loans, advances and financing	A11	116,610,736	112,124,109	98,780,376	95,563,493
Other assets	A12	1,074,261	1,295,419	942,954	1,149,905
Derivative financial instruments		1,379,777	1,424,929	1,361,589	1,421,571
Amount due from subsidiaries		-	-	12,546	12,984
Statutory deposits with Central Banks		4,267,511	3,476,192	3,560,353	2,859,590
Subsidiary companies		-	-	1,362,670	1,358,443
Investment in associated company		3,284,832	2,977,776	946,525	946,525
Investment in joint venture		146,203	128,790	76,711	76,711
Property and equipment		729,260	678,579	680,004	627,784
Intangible assets		300,637	318,107	279,798	302,801
Goodwill		1,831,312	1,831,312	1,771,547	1,771,547
Deferred tax assets		42,239	-	41,559	-
TOTAL ASSETS		187,780,168	184,019,735	163,130,176	160,680,587
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits from customers	A13	144,607,099	140,276,148	125,870,629	122,337,044
Deposits and placements of banks and other financial institutions	A14	5,124,356	7,096,231	3,972,188	6,133,109
Obligations on securities sold under repurchase agreements		4,072,799	3,691,338	4,072,799	3,691,338
Bills and acceptances payable		287,917	1,900,967	271,786	1,874,138
Other liabilities	A15	3,712,156	3,901,119	3,154,598	3,264,006
Derivative financial instruments		1,420,702	1,287,726	1,397,732	1,269,894
Senior bonds	A16	2,595,203	2,286,380	2,595,203	2,286,380
Tier 2 subordinated bonds	A17	3,408,099	4,619,812	3,007,646	4,219,507
Non-innovative Tier 1 stapled securities	A18	1,411,010	1,410,869	1,411,010	1,410,869
Innovative Tier 1 capital securities	A19	525,521	530,223	525,521	530,223
Taxation		219,148	152,240	197,303	160,243
Deferred tax liabilities		-	77,090	-	75,672
TOTAL LIABILITIES		167,384,010	167,230,143	146,476,415	147,252,423
Share capital		2,167,718	1,879,909	2,167,718	1,879,909
Reserves		18,963,480	15,558,271	15,221,083	12,196,843
Less: Treasury shares		(735,040)	(648,588)	(735,040)	(648,588)
TOTAL SHAREHOLDERS' EQUITY		20,396,158	16,789,592	16,653,761	13,428,164
TOTAL LIABILITIES AND EQUITY		187,780,168	184,019,735	163,130,176	160,680,587
COMMITMENTS AND CONTINGENCIES	A30	147,805,165	148,927,356	140,680,714	142,453,657
Net asset per share attributable to ordinary equity holders of the parent (RM) *		9.97	9.51	8.14	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 31 December 2015

	Note	The Group			
		Current Quarter Ended 31/12/2015 RM'000	Corresponding Quarter Ended 31/12/2014 RM'000	Current Period Ended 31/12/2015 RM'000	Corresponding Period Ended 31/12/2014 RM'000
Interest income	A20	1,579,594	1,543,064	3,129,449	3,045,569
Interest expense	A21	(901,748)	(831,713)	(1,791,646)	(1,618,819)
Net interest income		677,846	711,351	1,337,803	1,426,750
Net income from Islamic Banking business	A22	117,640	105,868	232,172	215,917
Other operating income	A23	278,024	206,229	526,771	395,339
Net Income		1,073,510	1,023,448	2,096,746	2,038,006
Other operating expenses	A24	(658,135)	(463,364)	(1,120,876)	(892,503)
Operating profit before allowances (Allowance for)/write back of impairment losses on loans, advances and financing	A25	415,375	560,084	975,870	1,145,503
Write back of impairment losses		(60,083)	53,923	(84,060)	68,823
		2,073	1,748	4,922	6,553
Share of profit after tax of equity accounted associated company		357,365	615,755	896,732	1,220,879
		63,116	88,411	143,522	183,817
Share of profit after tax of equity accounted joint venture		5,329	2,859	10,390	6,264
Profit before taxation		425,810	707,025	1,050,644	1,410,960
Taxation	B5	(81,728)	(155,423)	(203,601)	(311,790)
Net profit for the financial period		344,082	551,602	847,043	1,099,170
Attributable to:					
Owners of the parent		344,082	551,602	847,043	1,099,170
Earnings per share - basic (sen)	B13(a)	19.4	31.2	47.8	62.3
Earnings per share - fully diluted (sen)	B13(b)	19.4	31.2	47.8	62.3

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 31 December 2015

	The Group			
	Current Quarter Ended 31/12/2015 RM'000	Corresponding Quarter Ended 31/12/2014 RM'000	Current Period Ended 31/12/2015 RM'000	Corresponding Period Ended 31/12/2014 RM'000
Net profit for the financial period	344,082	551,602	847,043	1,099,170
Other comprehensive (loss)/income:				
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive income of associated company	3,872	11,807	9,073	10,788
Currency translation differences	(178,208)	39,907	341,566	54,131
Net fair value changes on financial investments available-for-sale	25,922	(8,460)	(55,498)	(21,238)
Net fair value changes in cash flow hedge	(2,303)	619	322	619
Income tax relating to components of other comprehensive (income)/loss	(5,555)	1,877	15,964	4,864
Other comprehensive (loss)/income for the financial period, net of tax	(156,272)	45,750	311,427	49,164
Total comprehensive income for the financial period	<u>187,810</u>	<u>597,352</u>	<u>1,158,470</u>	<u>1,148,334</u>
Attributable to:				
- Owners of the parent	<u>187,810</u>	<u>597,352</u>	<u>1,158,470</u>	<u>1,148,334</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
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(Incorporated in Malaysia)

Condensed Financial Statements
Unaudited Statements of Income
For The Financial Period Ended 31 December 2015

	Note	The Bank			
		Current Quarter Ended 31/12/2015 RM'000	Corresponding Quarter Ended 31/12/2014 RM'000	Current Period Ended 31/12/2015 RM'000	Corresponding Period Ended 31/12/2014 RM'000
Interest income	A20	1,575,483	1,535,063	3,119,400	3,031,065
Interest expense	A21	(912,253)	(836,320)	(1,810,763)	(1,629,678)
Net interest income		663,230	698,743	1,308,637	1,401,387
Other operating income	A23	483,395	352,816	735,556	549,291
Net Income		1,146,625	1,051,559	2,044,193	1,950,678
Other operating expenses	A24	(593,398)	(406,875)	(996,578)	(780,985)
Operating profit before allowances (Allowance for)/write back of impairment losses on loans, advances and financing	A25	553,227	644,684	1,047,615	1,169,693
Write back of impairment losses		(47,566)	31,911	(61,001)	49,887
		2,073	1,748	4,922	6,553
Profit before taxation		507,734	678,343	991,536	1,226,133
Taxation	B5	(75,431)	(172,299)	(184,004)	(310,688)
Net profit for the financial period		432,303	506,044	807,532	915,445
Attributable to:					
Owners of the parent		432,303	506,044	807,532	915,445
Earnings per share - basic (sen)	B13(a)	24.4	28.7	45.6	51.8
Earnings per share - fully diluted (sen)	B13(b)	24.4	28.7	45.6	51.8

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 Comprehensive Income
For The Financial Period Ended 31 December 2015

	The Bank			
	Current Quarter Ended 31/12/2015 RM'000	Corresponding Quarter Ended 31/12/2014 RM'000	Current Period Ended 31/12/2015 RM'000	Corresponding Period Ended 31/12/2014 RM'000
Net profit for the financial period	432,303	506,044	807,532	915,445
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences	(393)	1,226	1,837	(741)
Net fair value changes on financial investments available-for-sale	19,234	(4,155)	(46,056)	(16,666)
Net fair value changes in cash flow hedge	(2,303)	619	322	619
Income tax relating to components of other comprehensive (income)/loss	(3,749)	883	13,866	4,012
Other comprehensive income/(loss) for the financial period, net of tax	12,789	(1,427)	(30,031)	(12,776)
Total comprehensive income for the financial period	445,092	504,617	777,501	902,669

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 31 December 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	-	-	-	-	-	-	-	-	847,043	-	847,043
- Share of other comprehensive income of associated company	-	-	-	9,073	-	-	-	-	-	-	9,073
- Net fair value changes in financial investments available-for-sale	-	-	-	(39,459)	-	-	-	-	-	-	(39,459)
- Net fair value changes in cash flow hedge	-	-	-	-	247	-	-	-	-	-	247
- Currency translation differences	-	-	-	-	-	-	-	341,566	-	-	341,566
Total comprehensive (loss)/income	-	-	-	(30,386)	247	-	-	341,566	847,043	-	1,158,470
<u>Transactions with owners</u>											
Transfer to statutory reserve	-	-	223,831	-	-	-	-	-	(223,831)	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	63,802	-	(63,802)	-	-
Dividends paid	-	-	-	-	-	-	-	-	(458,731)	-	(458,731)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(26,517)	(26,517)
Issuance of rights issue	287,809	2,699,131	-	-	-	-	-	-	-	(59,935)	2,927,005
Option charge arising from ESOS granted	-	-	-	-	-	6,339	-	-	-	-	6,339
Total transactions with owners	287,809	2,699,131	223,831	-	-	6,339	63,802	-	(746,364)	(86,452)	2,448,096
At 31 December 2015	2,167,718	5,571,314	3,798,945	177,589	409	6,339	463,159	1,025,532	7,920,193	(735,040)	20,396,158
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	-	-	-	-	-	-	-	-	1,099,170	-	1,099,170
- Share of other comprehensive loss of associated company	-	-	-	10,788	-	-	-	-	-	-	10,788
- Net fair value changes in financial investments available-for-sale	-	-	-	(16,219)	-	-	-	-	-	-	(16,219)
- Net fair value changes in cash flow hedge	-	-	-	-	464	-	-	-	-	-	464
- Currency translation differences	-	-	-	-	-	-	-	54,131	-	-	54,131
Total comprehensive (loss)/income	-	-	-	(5,431)	464	-	-	54,131	1,099,170	-	1,148,334
<u>Transactions with owners</u>											
Transfer to statutory reserve	-	-	257,295	-	-	-	-	-	(257,295)	-	-
Dividends paid	-	-	-	-	-	-	-	-	(459,573)	-	(459,573)
Sale of treasury shares	-	39,241	-	-	-	-	-	-	-	26,447	65,688
ESOS exercised	-	-	-	-	-	(1,133)	-	-	2,796	4,330	5,993
Total transactions with owners	-	39,241	257,295	-	-	(1,133)	-	-	(714,072)	30,777	(387,892)
At 31 December 2014	1,879,909	2,871,624	3,338,423	181,013	464	1,485	10,266	48,036	7,574,202	(614,802)	15,290,620

* Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM451,914,000 (31 December 2014: RM Nil) and the banking subsidiary in Vietnam with the State Bank of Vietnam of RM11,245,000 (31 December 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 31 December 2015

	← Non-distributable				→ Distributable				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	Treasury Shares 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	-	-	-	-	-	-	-	-	807,532	-	807,532
- Net fair value changes in financial investments available-for-sale	-	-	-	(32,115)	-	-	-	-	-	-	(32,115)
- Net fair value changes in cash flow hedge	-	-	-	-	247	-	-	-	-	-	247
- Currency translation differences	-	-	-	-	-	-	-	1,837	-	-	1,837
Total comprehensive (loss)/income	-	-	-	(32,115)	247	-	-	1,837	807,532	-	777,501
<u>Transactions with owners</u>											
Transfer to statutory reserve	-	-	201,883	-	-	-	-	-	(201,883)	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	58,338	-	(58,338)	-	-
Dividends paid	-	-	-	-	-	-	-	-	(458,731)	-	(458,731)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(26,517)	(26,517)
Issuance of rights issue	287,809	2,699,131	-	-	-	-	-	-	-	(59,935)	2,927,005
Option charge arising from ESOS granted	-	-	-	-	-	6,339	-	-	-	-	6,339
Total transactions with owners	287,809	2,699,131	201,883	-	-	6,339	58,338	-	(718,952)	(86,452)	2,448,096
At 31 December 2015	2,167,718	5,571,314	3,286,132	181,994	409	6,339	392,476	40,635	5,741,784	(735,040)	16,653,761
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	-	-	-	-	-	-	-	-	915,445	-	915,445
- Net fair value changes in financial investments available-for-sale	-	-	-	(12,499)	-	-	-	-	-	-	(12,499)
- Net fair value changes in cash flow hedge	-	-	-	-	464	-	-	-	-	-	464
- Currency translation differences	-	-	-	-	-	-	-	(741)	-	-	(741)
Total comprehensive (loss)/income	-	-	-	(12,499)	464	-	-	(741)	915,445	-	902,669
<u>Transactions with owners</u>											
Transfer to statutory reserve	-	-	228,861	-	-	-	-	-	(228,861)	-	-
Dividends paid	-	-	-	-	-	-	-	-	(459,573)	-	(459,573)
Sale of treasury shares	-	39,241	-	-	-	-	-	-	-	26,447	65,688
ESOS exercised	-	-	-	-	-	(1,133)	-	-	2,796	4,330	5,993
Total transactions with owners	-	39,241	228,861	-	-	(1,133)	-	-	(685,638)	30,777	(387,892)
At 31 December 2014	1,879,909	2,871,624	2,869,119	196,443	464	1,485	-	36,156	5,604,877	(614,802)	12,845,275

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)
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Condensed Financial Statements
Unaudited Condensed Statements of Cash Flows
For The Financial Period Ended 31 December 2015

	The Group		The Bank	
	Financial Period Ended 31/12/2015 RM'000	Financial Period Ended 31/12/2014 RM'000	Financial Period Ended 31/12/2015 RM'000	Financial Period Ended 31/12/2014 RM'000
Profit before taxation	1,050,644	1,410,960	991,536	1,226,133
Adjustments for non-cash items	80,604	(432,242)	(17,406)	(374,167)
Operating profit before working capital changes	1,131,248	978,718	974,130	851,966
Changes in working capital:				
Net changes in operating assets	197,699	(9,763,332)	2,718,678	(7,710,504)
Net changes in operating liabilities	1,151,212	5,992,559	244,741	4,568,939
Income taxes and zakat paid	(235,836)	(243,742)	(213,480)	(187,772)
Net cash generated from/(used in) operating activities	2,244,323	(3,035,797)	3,724,069	(2,477,371)
Cash flows from investing activities				
Net purchases of financial investments available-for-sale	(1,365,547)	(4,005,754)	(2,317,722)	(3,939,186)
Net (purchases)/proceeds of financial investments held-to-maturity	(1,265,665)	61,413	(771,660)	126,754
Purchase of property and equipment	(89,016)	(88,624)	(86,922)	(75,289)
Net proceeds from sale of property and equipment	260	2,248	260	2,200
Purchase of intangible assets	(17,092)	(25,795)	(11,363)	(23,451)
Dividends received on financial investments available-for-sale	76,770	52,011	76,770	52,011
Dividend from associated company	97,888	66,894	97,888	66,894
Dividend from joint venture	3,755	-	3,755	-
Dividends from subsidiary companies	-	-	72,440	70,053
Net cash used in investing activities	(2,558,647)	(3,937,607)	(2,936,554)	(3,720,014)
Cash flows from financing activities				
Dividends paid	(458,731)	(459,573)	(458,731)	(459,573)
Repayment of Tier 2 subordinated loan	(1,200,000)	(250,000)	(1,200,000)	(250,000)
Issuance of rights issue	2,927,005	-	2,927,005	-
Purchase of treasury shares	(26,517)	-	(26,517)	-
Sale of treasury shares	-	65,688	-	65,688
Cash received from ESOS exercised	-	5,993	-	5,993
Interest paid on subordinated obligations	(188,352)	(190,144)	(188,492)	(190,195)
Net cash generated from/(used in) financing activities	1,053,405	(828,036)	1,053,265	(828,087)
Net increase/(decrease) in cash and cash equivalents	739,081	(7,801,440)	1,840,780	(7,025,472)
Currency translation differences	76,884	224,186	1,004	170,623
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	7,046,248	7,135,535	6,814,156	6,774,926

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 31 DECEMBER 2015**

A1 Basis of preparation

The unaudited condensed financial statements for the financial period ended 31 December 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 RM63.8 million and RM58.3 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 31 December 2015:

a) Share issuance

During the period ended 31 December 2015, the Bank increased its issued and paid-up capital from 1,879,909,100 to 2,167,718,284 via issuance of 287,809,184 new ordinary shares of RM1.00 each on the basis of 4 Rights Share for every 25 existing shares held by HLBB's entitled shareholders on 27 November 2015 at an issue price of RM10.40 per rights share ("Rights Issue"). The Rights Issue was completed on 28 December 2015.

b) Share Buy-back

There were no purchase of ordinary shares of RM1.00 each ('Shares') from the open market during the financial period ended 31 December 2015.

The total number of shares bought back, all of which were held as treasury shares as at 31 December 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.

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

c) 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.

During the financial period ended 31 December 2015, the trust had purchased 2,027,100 shares between 7 July 2015 and 3 December 2015 with total costs of RM26.5 million. Pursuant to the Rights Issue exercise, the trust had subscribed for 5,762,900 shares at the issue price of RM10.40. As at 31 December 2015, the total number of Treasury Shares for ESOS was 41,162,900 at an average carrying value of RM7.37 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 (ESS):

- (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.

Any necessary adjustments to the terms and conditions of the options arising from the Rights Issue which was completed on 28 December 2015 will be made in accordance with the provisions of the bye-laws governing the ESS.

d) Repayment of debt and equity securities

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

On 30 December 2015, the Bank had fully redeemed the third tranche of RM500.0 million nominal value subordinated medium term notes bearing coupon rate of 4.75% per annum, which were previously issued by Promino Sdn Bhd and vested to the Bank on 1 July 2011.

A7 Dividends paid

A final single tier dividend of 26.0 sen per share in respect of financial year ended 30 June 2015 amounting to RM458.7 million was paid on 18 November 2015.

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A8 Financial assets held-for-trading

	<u>The Group</u>		<u>The Bank</u>	
	31/12/2015 RM'000	30/06/2015 RM'000	31/12/2015 RM'000	30/06/2015 RM'000
Money market instruments:				
Bank Negara Malaysia bills	-	383,325	-	383,325
Government treasury bills	66,667	78,632	66,667	78,632
Malaysian Government securities	217,430	67,769	217,430	67,769
Malaysian Government investment certificates	380,313	609,725	157,899	233,383
Bankers' acceptances and Islamic accepted bills	199,860	30,404	199,860	30,404
Negotiable instruments of deposit	10,030,515	5,328,784	9,982,796	5,697,230
Cagamas bonds	366,359	35,446	366,359	35,446
Khazanah bonds	17,665	-	17,665	-
	<u>11,278,809</u>	<u>6,534,085</u>	<u>11,008,676</u>	<u>6,526,189</u>
Quoted securities:				
Shares outside Malaysia	3,673	3,394	3,673	3,394
Foreign currency bonds in Malaysia	190,611	375,822	190,611	375,822
Unquoted securities:				
Private and Islamic debt securities	441,845	218,133	371,381	218,133
Foreign currency bonds in Malaysia	33,138	-	33,138	-
Total financial assets held-for-trading	<u><u>11,948,076</u></u>	<u><u>7,131,434</u></u>	<u><u>11,607,479</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>	
	31/12/2015 RM'000	30/06/2015 RM'000	31/12/2015 RM'000	30/06/2015 RM'000
Money market instruments:				
Government treasury bills	-	168,553	-	168,553
Malaysian Government securities	594,809	10,684	594,809	10,684
Malaysian Government investment certificates	2,384,131	3,461,207	1,556,289	1,836,986
Other Government securities	9,265	277,911	-	-
Cagamas bonds	872,306	886,276	641,304	704,900
Khazanah bonds	313,254	345,140	313,254	345,140
Sukuk	121,987	-	91,525	-
	<u>4,295,752</u>	<u>5,149,771</u>	<u>3,197,181</u>	<u>3,066,263</u>
Quoted Securities:				
Shares in Malaysia	16,493	16,225	16,493	16,225
Shares outside Malaysia	27	25	27	25
Wholesale fund	4,202,684	3,206,328	4,202,684	3,206,328
Foreign currency bonds in Malaysia	4,318,107	4,380,452	4,139,338	4,220,916
Foreign currency bonds outside Malaysia	1,968,572	1,452,826	1,968,572	1,452,826
Unquoted securities:				
Private debt securities in Malaysia	5,954,376	5,447,769	5,252,886	4,753,898
Shares in Malaysia	390,753	390,753	390,753	390,753
Shares outside Malaysia	4,689	4,134	4,689	4,134
Foreign currency bonds in Malaysia	721,505	259,070	721,505	259,070
Total financial investments available-for-sale	<u>21,872,958</u>	<u>20,307,353</u>	<u>19,894,128</u>	<u>17,370,438</u>

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A10 Financial investments held-to-maturity

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>	<u>31/12/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>
Money market instruments:				
Government treasury bills	58,926	-	58,926	-
Malaysian Government securities	4,279,354	2,952,499	4,279,354	2,952,499
Malaysian Government investment certificates	6,421,200	6,529,307	4,270,854	4,965,307
Cagamas bonds	30,409	30,454	20,130	20,127
Negotiable instruments of deposit	-	2,338	501,951	501,817
Other Government securities	453,885	335,159	303,422	124,456
Sukuk	71,471	-	61,283	-
	<u>11,315,245</u>	<u>9,849,757</u>	<u>9,495,920</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	55,000	54,000	55,000	54,000
	<u>55,535</u>	<u>100,324</u>	<u>55,535</u>	<u>54,535</u>
Total financial investments held-to-maturity	<u>11,370,780</u>	<u>9,950,081</u>	<u>9,551,455</u>	<u>8,618,741</u>

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A11 Loans, advances and financing

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2015</u>	<u>30/06/2015</u>	<u>31/12/2015</u>	<u>30/06/2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Overdrafts	3,974,539	4,005,025	3,740,800	3,787,272
Term loans/financing:				
- Housing and shop loans/financing	57,468,777	53,828,770	47,794,026	45,074,437
- Syndicated/term loans or financing	9,202,128	9,038,647	7,890,753	7,944,110
- Hire purchase receivables	18,614,438	18,099,246	15,167,576	14,631,741
- Other term loans/financing	8,622,265	8,676,463	6,970,893	7,151,025
Credit/charge card receivables	3,899,192	3,889,314	3,899,192	3,889,314
Bills receivable	1,162,923	1,166,833	1,143,607	1,155,997
Trust receipts	352,324	322,780	271,282	251,752
Claims on customers under acceptance credits	7,125,414	7,369,680	6,823,679	7,051,254
Block discounting	-	14	-	14
Revolving credit	6,928,386	6,549,079	5,663,129	5,301,689
Staff loans/financing	163,143	167,479	151,702	154,767
Other loans/financing	370,878	304,960	364,573	297,986
Gross loans, advances and financing	<u>117,884,407</u>	<u>113,418,290</u>	<u>99,881,212</u>	<u>96,691,358</u>
Unamortised fair value changes arising from terminated fair value hedges	(1,506)	(2,188)	142	547
Allowance for impaired loans, advances and financing:				
- Collective assessment allowance	(958,498)	(969,033)	(802,518)	(822,488)
- Individual assessment allowance	(313,667)	(322,960)	(298,460)	(305,924)
Total net loans, advances and financing	<u><u>116,610,736</u></u>	<u><u>112,124,109</u></u>	<u><u>98,780,376</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>31/12/2015</u>	<u>30/06/2015</u>	<u>31/12/2015</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	600,546	638,549	10,758	88,620
Domestic business enterprises:				
- small and medium enterprises	18,227,731	17,771,812	16,339,661	16,036,000
- others	17,846,753	18,372,803	15,387,383	15,997,698
Government and statutory bodies	24,666	24,448	12,791	12,473
Individuals	74,516,468	70,958,690	61,778,813	59,198,892
Other domestic entities	168,456	171,386	122,830	144,676
Foreign entities	6,499,787	5,480,602	6,228,976	5,212,999
Gross loans, advances and financing	<u>117,884,407</u>	<u>113,418,290</u>	<u>99,881,212</u>	<u>96,691,358</u>

A11b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2015</u>	<u>30/06/2015</u>	<u>31/12/2015</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	2,679,483	2,738,194	1,587,912	1,658,497
- Hire purchase receivables	18,164,053	17,779,388	14,717,191	14,311,882
- Other fixed rate loan/financing	7,568,259	7,136,893	6,673,689	6,369,916
Variable rate:				
- Base rate/base lending rate plus	73,119,088	69,749,552	62,461,945	60,182,464
- Cost plus	15,925,666	15,694,860	14,440,475	14,168,599
- Other variables rates	427,858	319,403	-	-
Gross loans, advances and financing	<u>117,884,407</u>	<u>113,418,290</u>	<u>99,881,212</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>31/12/2015</u>	<u>30/06/2015</u>	<u>31/12/2015</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	663,011	704,762	654,734	694,801
Purchase of transport vehicles	18,443,403	18,020,496	14,950,576	14,509,560
Purchase of landed properties				
- residential	48,663,213	45,306,604	39,994,498	37,505,118
- non-residential	14,754,533	14,231,669	13,311,312	12,892,318
Purchase of fixed assets (excluding landed properties)	431,716	462,979	392,811	421,120
Personal use	3,734,558	3,523,573	3,098,114	2,945,941
Credit card	3,899,192	3,889,314	3,899,192	3,889,314
Purchase of consumer durables	400	418	400	418
Construction	1,422,780	1,257,882	1,188,031	1,049,262
Mergers and acquisition	251,976	258,988	251,976	258,988
Working capital	23,434,171	23,432,987	20,189,149	20,396,334
Other purpose	2,185,454	2,328,618	1,950,419	2,128,184
Gross loans, advances and financing	<u>117,884,407</u>	<u>113,418,290</u>	<u>99,881,212</u>	<u>96,691,358</u>

A11d By geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2015</u>	<u>30/06/2015</u>	<u>31/12/2015</u>	<u>30/06/2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	112,625,851	109,283,009	95,455,084	93,141,474
Singapore	4,394,034	3,529,821	4,394,034	3,529,821
Hong Kong	32,094	20,063	32,094	20,063
Vietnam	427,858	319,403	-	-
Cambodia	404,570	265,994	-	-
Gross loans, advances and financing	<u>117,884,407</u>	<u>113,418,290</u>	<u>99,881,212</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>31/12/2015</u>	<u>30/06/2015</u>	<u>31/12/2015</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	29,366,294	28,564,745	27,084,936	26,844,178
One year to less than three years	7,332,862	7,821,134	6,425,356	6,499,875
Three years to less than five years	10,572,417	10,257,963	8,616,130	8,464,914
Five years and more	70,612,834	66,774,448	57,754,790	54,882,391
Gross loans, advances and financing	<u>117,884,407</u>	<u>113,418,290</u>	<u>99,881,212</u>	<u>96,691,358</u>

A11f Impaired loans, advances and financing by economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2015</u>	<u>30/06/2015</u>	<u>31/12/2015</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	170,087	184,069	132,020	144,718
Purchase of landed properties				
- residential	250,197	207,232	184,910	148,743
- non-residential	51,474	46,190	47,874	43,695
Purchase of fixed assets (excluding landed properties)	27,226	34,188	25,999	32,943
Personal use	40,930	34,714	35,923	30,000
Credit card	55,240	42,907	55,240	42,907
Purchase of consumer durables	-	4	-	4
Construction	6,788	4,114	4,779	2,082
Working capital	386,615	365,444	371,071	348,978
Other purpose	24,647	28,863	24,279	28,495
Gross impaired loans, advances and financing	<u>1,013,425</u>	<u>947,960</u>	<u>882,316</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>31/12/2015</u>	<u>30/06/2015</u>	<u>31/12/2015</u>	<u>30/06/2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	999,265	935,235	876,352	822,800
Singapore	5,964	-	5,964	-
Vietnam	8,196	12,725	-	-
Gross impaired loans, advances and financing	<u>1,013,425</u>	<u>947,960</u>	<u>882,316</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>31/12/2015</u>	<u>30/06/2015</u>	<u>31/12/2015</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	848,377	1,525,359	721,776	1,275,080
Performing during the financial period/year	(400,790)	(792,443)	(323,355)	(637,758)
Amount written back in respect of recoveries	(173,444)	(480,590)	(154,047)	(403,171)
Amount written off	(210,070)	(541,798)	(184,974)	(436,696)
Exchange difference	1,392	5,697	116	230
At 31 December	<u>1,013,425</u>	<u>947,960</u>	<u>882,316</u>	<u>822,800</u>
Gross impaired loans as a % of gross loans, advances and financing	<u>0.9%</u>	<u>0.8%</u>	<u>0.9%</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>31/12/2015</u>	<u>30/06/2015</u>	<u>31/12/2015</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	178,490	213,457	149,676	189,171
Amount transferred to individual assessment	(109)	(94)	(109)	(94)
Amount written off	(183,847)	(310,003)	(165,118)	(279,587)
Unwinding income	(5,954)	(12,129)	(4,922)	(9,802)
Exchange difference	885	1,198	503	514
At 31 December	<u>958,498</u>	<u>969,033</u>	<u>802,518</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	26,842	80,769	25,344	63,314
Amount transferred from collective assessment	109	94	109	94
Amount transferred to allowance for impairment losses on securities	-	(5,274)	-	(5,274)
Amount written back in respect of recoveries	(28,286)	(130,588)	(27,762)	(105,052)
Amount written off	(6,620)	(132,862)	(3,579)	(75,368)
Unwinding income	(1,858)	(5,360)	(1,693)	(5,057)
Exchange difference	520	4,728	117	230
At 31 December	<u>313,667</u>	<u>322,960</u>	<u>298,460</u>	<u>305,924</u>

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A12 Other assets

	<u>The Group</u>		<u>The Bank</u>	
	31/12/2015 RM'000	30/06/2015 RM'000	31/12/2015 RM'000	30/06/2015 RM'000
Foreclosed properties	939	1,023	939	1,023
Sundry debtors and other prepayments	186,930	257,391	159,450	155,892
Treasury related receivables	7,305	429,244	7,305	429,244
Collateral pledged for derivative transactions	724,322	509,483	724,322	509,483
Other receivables	154,765	98,278	50,938	54,263
	<u>1,074,261</u>	<u>1,295,419</u>	<u>942,954</u>	<u>1,149,905</u>

A13 Deposits from customers

A13a By type of deposit

	<u>The Group</u>		<u>The Bank</u>	
	31/12/2015 RM'000	30/06/2015 RM'000	31/12/2015 RM'000	30/06/2015 RM'000
Fixed deposits	82,121,981	77,791,311	71,589,488	67,159,273
Negotiable instruments of deposits	14,497,730	12,879,060	12,833,331	11,412,543
Short-term placements	10,390,767	13,145,658	9,207,033	12,295,104
	<u>107,010,478</u>	<u>103,816,029</u>	<u>93,629,852</u>	<u>90,866,920</u>
Demand deposits	20,974,852	20,065,136	18,123,449	17,553,946
Saving deposits	15,892,184	15,823,857	13,404,778	13,348,698
Others	814,012	640,821	786,931	630,045
Gross deposits from customers	<u>144,691,526</u>	<u>140,345,843</u>	<u>125,945,010</u>	<u>122,399,609</u>
Fair value changes arising from designation at fair value through profit or loss *	(84,427)	(69,695)	(74,381)	(62,565)
Total net deposits from customers	<u>144,607,099</u>	<u>140,276,148</u>	<u>125,870,629</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 RM1,552 million (2015: RM1,542 million) for the Group and RM1,293 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>31/12/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>	<u>31/12/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>
Government and statutory bodies	1,970,488	3,011,265	1,283,661	2,127,107
Business enterprises	68,923,572	65,026,828	57,250,819	55,067,415
Individuals	71,644,698	70,231,983	65,432,632	63,279,300
Others	2,152,768	2,075,767	1,977,898	1,925,787
Gross deposits from customers	<u>144,691,526</u>	<u>140,345,843</u>	<u>125,945,010</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>31/12/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>	<u>31/12/2015</u> <u>RM'000</u>	<u>30/06/2015</u> <u>RM'000</u>
Due within six months	81,689,514	78,605,267	70,826,709	68,018,244
More than six months to one year	20,586,226	21,105,271	18,357,041	19,165,497
More than one year to five years	4,004,738	3,375,491	3,716,102	2,953,179
More than five years	730,000	730,000	730,000	730,000
	<u>107,010,478</u>	<u>103,816,029</u>	<u>93,629,852</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>	
	31/12/2015 RM'000	30/06/2015 RM'000	31/12/2015 RM'000	30/06/2015 RM'000
Licensed banks	4,305,961	6,389,746	3,972,188	6,133,109
Licensed investment banks	-	123,241	-	-
Licensed Islamic banks	-	49,004	-	-
Other financial institutions	818,395	534,240	-	-
	<u>5,124,356</u>	<u>7,096,231</u>	<u>3,972,188</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>5,124,356</u>	<u>7,096,231</u>	<u>3,972,188</u>	<u>6,133,109</u>

A15 Other liabilities

	<u>The Group</u>		<u>The Bank</u>	
	31/12/2015 RM'000	30/06/2015 RM'000	31/12/2015 RM'000	30/06/2015 RM'000
Zakat	525	350	-	-
Post employment benefits obligation - defined contribution plan	290	288	290	288
Loan advance payment	2,457,570	2,268,769	2,000,683	1,845,747
Amount due to subsidiary companies	-	-	93,391	29,016
Treasury and cheque clearing	1,149	533,584	1,149	413,043
Treasury related payables	268,766	174,206	267,623	173,063
Sundry creditors and accruals	567,100	534,896	422,364	436,044
Provision for bonus and staff related expenses	154,808	93,525	152,105	89,442
Others	261,948	295,501	216,993	277,363
	<u>3,712,156</u>	<u>3,901,119</u>	<u>3,154,598</u>	<u>3,264,006</u>

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A16 Senior bonds

		<u>The Group and The Bank</u>	
		31/12/2015	30/06/2015
		RM'000	RM'000
	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		740,550	435,750
		<u>2,576,100</u>	<u>2,271,300</u>
Add: Interest payable		22,004	19,401
		<u>2,598,104</u>	<u>2,290,701</u>
Less: Unamortised discounts		(2,901)	(4,321)
		<u>2,595,203</u>	<u>2,286,380</u>

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

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

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

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

A17 Tier 2 subordinated bonds

		<u>The Group</u>		<u>The Bank</u>	
		31/12/2015	30/06/2015	31/12/2015	30/06/2015
		RM'000	RM'000	RM'000	RM'000
	Note				
RM700 million Tier 2 subordinated debt, at par	(a)	-	700,000	-	700,000
Add: Interest payable		-	13,115	-	13,115
		<u>-</u>	<u>713,115</u>	<u>-</u>	<u>713,115</u>
Less: Unamortised discounts		-	(2)	-	(2)
		<u>-</u>	<u>713,113</u>	<u>-</u>	<u>713,113</u>
RM1.0 billion Tier 2 subordinated debt, at par	(b)	1,000,000	1,000,000	1,000,000	1,000,000
Add: Interest payable		6,793	6,793	6,793	6,793
		<u>1,006,793</u>	<u>1,006,793</u>	<u>1,006,793</u>	<u>1,006,793</u>
Less: Unamortised discounts		(23)	(124)	(23)	(124)
		<u>1,006,770</u>	<u>1,006,669</u>	<u>1,006,770</u>	<u>1,006,669</u>

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A17 Tier 2 subordinated bonds (continued)

		<u>The Group</u>		<u>The Bank</u>	
		<u>31/12/2015</u>	<u>30/06/2015</u>	<u>31/12/2015</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
Add: Interest payable		-	65	-	65
		<u>-</u>	<u>500,065</u>	<u>-</u>	<u>500,065</u>
Less: Unamortised discounts		-	(350)	-	(350)
Fair value adjustments on completion of business combination accounting		-	(147)	-	(147)
		<u>-</u>	<u>499,568</u>	<u>-</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		1,849	1,664	1,849	1,664
		<u>1,501,849</u>	<u>1,501,664</u>	<u>1,501,849</u>	<u>1,501,664</u>
Less: Unamortised discounts		(790)	(1,027)	(790)	(1,027)
		<u>1,501,059</u>	<u>1,500,637</u>	<u>1,501,059</u>	<u>1,500,637</u>
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(e)	400,000	400,000	-	-
Add: Profit payable		789	736	-	-
		<u>400,789</u>	<u>400,736</u>	<u>-</u>	<u>-</u>
Less: Unamortised discounts		(336)	(431)	-	-
		<u>400,453</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		592	526	592	526
		<u>500,592</u>	<u>500,526</u>	<u>500,592</u>	<u>500,526</u>
Less: Unamortised discounts		(775)	(1,006)	(775)	(1,006)
		<u>499,817</u>	<u>499,520</u>	<u>499,817</u>	<u>499,520</u>
		<u>3,408,099</u>	<u>4,619,812</u>	<u>3,007,646</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.

On 30 December 2015, HLB had fully redeemed the third tranche of RM500.0 million nominal value of the 10 non-callable 5 years subordinated MTNs bearing coupon rate of 4.75% 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 extend and in the manner provided in the Subordinated Sukuk Ijarah, ranking *pari passu* among themselves. The Subordinated Sukuk Ijarah is subordinated in right of payment to all deposit liabilities and other liabilities of HLISB, except to those liabilities, which by their terms, rank equally in right of payment with or are subordinated to the Subordinated Sukuk Ijarah. The Subordinated Sukuk Ijarah qualifies as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLISB.

- (f) On 23 June 2014, HLB had completed the first issuance of RM500.0 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>31/12/2015</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	11,041	11,040
	<u>1,411,041</u>	<u>1,411,040</u>
Less: Unamortised discounts	(31)	(171)
	<u><u>1,411,010</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>31/12/2015</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	12,771	12,771
	<u>512,771</u>	<u>512,771</u>
Less: Unamortised discounts	(6,622)	(7,367)
Fair value adjustments on completion of business combination accounting	19,372	24,819
	<u><u>525,521</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

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	RM'000	RM'000	RM'000	RM'000
Group				
Loan, advances and financing	1,158,520	1,098,908	2,308,440	2,176,008
Money at call and deposit placements with financial institutions	49,482	72,248	83,537	170,068
Securities purchased under resale agreements	33,040	53,965	87,095	87,491
Financial assets held-for-trading	138,332	144,416	255,095	279,021
Financial investments available-for-sale	123,851	108,647	245,037	203,154
Financial investments held-to-maturity	76,262	64,818	150,083	129,655
Others	107	62	162	172
	<u>1,579,594</u>	<u>1,543,064</u>	<u>3,129,449</u>	<u>3,045,569</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>11,588</u>	<u>16,979</u>	<u>24,913</u>	<u>30,239</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	RM'000	RM'000	RM'000	RM'000
Bank				
Loan, advances and financing	1,143,673	1,090,096	2,280,664	2,159,132
Money at call and deposit placements with financial institutions	48,189	73,998	82,637	175,001
Securities purchased under resale agreements	33,040	53,965	87,095	87,491
Financial assets held-for-trading	147,244	146,948	271,240	284,058
Financial investments available-for-sale	122,719	102,566	241,505	189,869
Financial investments held-to-maturity	80,514	67,428	156,103	135,347
Others	104	62	156	167
	<u>1,575,483</u>	<u>1,535,063</u>	<u>3,119,400</u>	<u>3,031,065</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>11,588</u>	<u>16,979</u>	<u>24,913</u>	<u>30,239</u>

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A21 Interest expense

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Deposits and placements of banks and other financial institutions	22,962	17,732	34,645	35,482
Deposits from customers	724,939	665,386	1,439,114	1,287,014
Short-term placements	64,297	51,836	136,008	102,900
Senior bonds	22,950	18,194	44,833	35,586
Tier 2 subordinated bonds	40,459	52,032	84,694	104,670
Non-innovative Tier 1 stapled securities	17,877	17,988	35,781	36,005
Innovative Tier 1 capital securities	8,073	7,640	16,092	14,946
Others	191	905	479	2,216
	<u>901,748</u>	<u>831,713</u>	<u>1,791,646</u>	<u>1,618,819</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Deposits and placements of banks and other financial institutions	24,697	18,624	39,314	39,015
Deposits from customers	733,710	669,103	1,453,570	1,294,342
Short-term placements	64,297	51,836	136,008	102,900
Senior bonds	22,950	18,194	44,833	35,586
Tier 2 subordinated bonds	40,458	52,030	84,686	104,668
Non-innovative Tier 1 stapled securities	17,877	17,988	35,781	36,005
Innovative Tier 1 capital securities	8,073	7,640	16,092	14,946
Others	191	905	479	2,216
	<u>912,253</u>	<u>836,320</u>	<u>1,810,763</u>	<u>1,629,678</u>

HONG LEONG BANK BERHAD
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A22 Net income from Islamic Banking business

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	RM'000	RM'000	RM'000	RM'000
Group				
Income derived from investment of depositors' funds and others	238,442	225,617	471,402	447,971
of which Finance income	236,355	224,683	470,089	445,534
of which other operating income	2,087	934	1,313	2,437
Income derived from investment of shareholders' funds	34,796	23,017	67,210	44,688
of which Finance income	23,285	19,537	40,878	38,742
of which other operating income	11,511	3,480	26,332	5,946
Income attributable to depositors	(155,598)	(142,766)	(306,440)	(276,742)
	117,640	105,868	232,172	215,917

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A23 Other operating income

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	RM'000	RM'000	RM'000	RM'000
Group				
(a) <u>Fee income:</u>				
Commissions	39,519	38,243	76,387	78,426
Service charges and fees	13,595	14,041	23,583	25,437
Guarantee fees	4,226	4,118	7,761	9,543
Credit card related fees	65,804	65,148	124,579	120,567
Corporate advisory fees	272	1,727	700	1,955
Commitment fees	8,981	8,921	17,754	18,120
Fee on loans, advances and financing	15,731	15,614	28,646	30,034
Other fee income	6,289	18,718	15,864	26,609
	<u>154,417</u>	<u>166,530</u>	<u>295,274</u>	<u>310,691</u>
(b) <u>Gain arising from sale of financial assets:</u>				
Net gain from sale of financial assets held-for-trading	11,722	7,478	5,292	12,465
Net gain/(loss) from sale of derivative financial instruments	1,326	(18,267)	(13,404)	(21,379)
Net gain from sale of financial investments available-for-sale	7,437	13,507	10,519	39,886
Net gain from redemption of financial investments held-to-maturity	12	197	29	271
	<u>20,497</u>	<u>2,915</u>	<u>2,436</u>	<u>31,243</u>
(c) <u>Gross dividend income from:</u>				
Financial investments available-for-sale	<u>44,412</u>	<u>28,806</u>	<u>76,770</u>	<u>52,011</u>

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A23 Other operating income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000
(d) <u>Net unrealised gain on revaluation of:</u>				
- Financial assets held-for-trading	3,522	(3,223)	1,748	(2,415)
- Derivatives financial instruments	289	3,559	39,778	17,615
	<u>3,811</u>	<u>336</u>	<u>41,526</u>	<u>15,200</u>
(e) <u>Amortisation of fair value changes arising from terminated fair value hedges</u>	<u>(153)</u>	<u>(968)</u>	<u>(404)</u>	<u>(2,444)</u>
(f) <u>Other income:</u>				
Foreign exchange gain/(loss)	50,579	3,114	100,864	(23,626)
Rental income	916	1,374	1,870	2,723
Gain on disposal of property and equipment (net)	8	301	20	1,584
Other non-operating income	3,537	3,821	8,415	7,957
	<u>55,040</u>	<u>8,610</u>	<u>111,169</u>	<u>(11,362)</u>
Total other operating income	<u>278,024</u>	<u>206,229</u>	<u>526,771</u>	<u>395,339</u>

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A23 Other operating income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
(a) <u>Fee income:</u>				
Commissions	39,267	37,937	75,780	77,974
Service charges and fees	13,504	13,955	23,388	25,262
Guarantee fees	4,202	4,087	7,720	9,493
Credit card related fees	65,804	65,148	124,579	120,567
Corporate advisory fees	272	1,727	700	1,955
Commitment fees	8,902	8,901	17,613	18,084
Fee on loans, advances and financing	15,141	15,257	27,372	29,443
Other fee income	6,274	18,680	15,815	26,539
	<u>153,366</u>	<u>165,692</u>	<u>292,967</u>	<u>309,317</u>
(b) <u>Gain arising from sale of financial assets:</u>				
Net gain from sale of financial assets held-for-trading	11,722	7,478	5,292	12,465
Net gain/(loss) from sale of derivative financial instruments	1,326	(18,267)	(13,404)	(21,379)
Net gain from sale of financial investments available-for-sale	7,437	11,888	10,519	32,622
Net gain from redemption of financial investments held-to-maturity	12	197	29	271
	<u>20,497</u>	<u>1,296</u>	<u>2,436</u>	<u>23,979</u>
(c) <u>Gross dividend income from:</u>				
Subsidiary companies	72,440	56,700	72,440	70,053
Associated company	134,143	91,669	134,143	91,669
Investment in joint venture	-	-	5,145	-
Financial investments available-for-sale	44,412	28,806	76,770	52,011
	<u>250,995</u>	<u>177,175</u>	<u>288,498</u>	<u>213,733</u>

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A23 Other operating income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	<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	3,522	(3,223)	1,748	(2,415)
- Derivatives financial instruments	289	3,559	39,778	17,615
	<u>3,811</u>	<u>336</u>	<u>41,526</u>	<u>15,200</u>
(e) <u>Amortisation of fair value changes arising from terminated fair value hedges</u>	<u>(153)</u>	<u>(799)</u>	<u>(404)</u>	<u>(2,015)</u>
(f) <u>Other income:</u>				
Foreign exchange gain/(loss)	50,473	3,477	100,348	(23,184)
Rental income	916	1,374	1,870	2,723
Gain on disposal of property and equipment (net)	8	301	20	1,584
Other non-operating income	3,482	3,964	8,295	7,954
	<u>54,879</u>	<u>9,116</u>	<u>110,533</u>	<u>(10,923)</u>
Total other operating income	<u>483,395</u>	<u>352,816</u>	<u>735,556</u>	<u>549,291</u>

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A24 Other operating expenses

<u>Group</u>	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	233,936	226,870	467,341	445,265
- Mutual separation scheme (MSS) *	171,658	-	171,658	-
- Medical expenses	7,555	6,836	14,678	12,370
- Training and convention expenses	12,577	10,480	20,112	15,015
- Staff welfare	1,557	2,583	3,427	4,733
- Others	6,412	6,994	15,082	12,176
	<u>433,695</u>	<u>253,763</u>	<u>692,298</u>	<u>489,559</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	19,360	16,740	38,154	34,247
- Amortisation of intangible assets	18,114	17,398	35,934	34,590
- Rental of premises	20,543	19,605	42,380	38,737
- Information technology expenses	32,897	29,292	60,863	56,423
- Security services	7,656	6,550	14,465	12,940
- Electricity, water and sewerage	5,973	5,542	11,813	12,049
- Hire of plant and machinery	4,101	3,524	7,785	6,766
- Others	4,327	5,563	9,037	11,239
	<u>112,971</u>	<u>104,214</u>	<u>220,431</u>	<u>206,991</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	9,716	5,839	15,090	11,256
- Credit card related fees	32,795	32,201	61,791	57,906
- Others	4,075	3,159	8,084	6,926
	<u>46,586</u>	<u>41,199</u>	<u>84,965</u>	<u>76,088</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	4,258	3,740	7,440	6,887
- Stationery and printing expenses	4,433	4,828	8,142	9,124
- Professional fees	18,561	21,491	34,798	40,364
- Insurance fees	9,982	8,377	18,712	18,088
- Stamp, postage and courier	5,106	5,663	10,934	10,468
- Travelling and transport expenses	1,135	1,740	2,131	3,183
- Registration and license fees	2,148	1,234	4,435	2,382
- Brokerage and commission	1,858	1,819	3,344	3,716
- Credit card fees	8,935	7,861	18,031	14,997
- Others	8,467	7,435	15,215	10,656
	<u>64,883</u>	<u>64,188</u>	<u>123,182</u>	<u>119,865</u>
	<u>658,135</u>	<u>463,364</u>	<u>1,120,876</u>	<u>892,503</u>

* Hong Leong Bank Berhad and Hong Leong Islamic Bank Berhad had implemented a MSS as part of its move to strengthen operational efficiencies. This scheme was offered to all permanent staff at all levels, functions and locations on a voluntary basis, which will create an opportunity for both the Bank and employees to gain mutual benefits.

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A24 Other operating expenses (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	196,182	190,532	391,929	373,645
- Mutual separation scheme (MSS) *	167,074	-	167,074	-
- Medical expenses	6,392	5,795	12,478	10,438
- Training and convention expenses	11,096	9,498	18,011	13,650
- Staff welfare	1,368	2,223	2,883	3,983
- Others	5,058	5,939	12,248	10,138
	<u>387,170</u>	<u>213,987</u>	<u>604,623</u>	<u>411,854</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	17,922	15,833	35,216	32,465
- Amortisation of intangible assets	17,274	16,450	34,366	32,726
- Rental of premises	17,213	14,469	35,358	32,063
- Information technology expenses	30,678	28,600	55,936	51,690
- Security services	6,216	5,006	11,681	10,466
- Electricity, water and sewerage	5,248	4,209	10,310	10,403
- Hire of plant and machinery	3,903	3,363	7,435	6,167
- Others	1,095	3,787	2,633	4,096
	<u>99,549</u>	<u>91,717</u>	<u>192,935</u>	<u>180,076</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	8,814	4,977	13,169	9,566
- Credit card related fees	32,795	32,201	61,791	57,906
- Others	3,488	2,636	6,835	6,119
	<u>45,097</u>	<u>39,814</u>	<u>81,795</u>	<u>73,591</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	4,151	3,645	7,239	6,715
- Stationery and printing expenses	4,290	4,632	7,862	8,790
- Professional fees	17,633	20,514	33,502	39,050
- Insurance fees	9,021	7,213	16,869	15,756
- Stamp, postage and courier	5,041	5,599	10,817	10,381
- Travelling and transport expenses	851	1,401	1,594	2,518
- Registration and license fees	1,915	1,081	3,784	2,141
- Brokerage and commission	1,224	1,414	2,157	2,962
- Credit card fees	8,935	7,861	18,031	14,997
- Others	8,521	7,997	15,370	12,154
	<u>61,582</u>	<u>61,357</u>	<u>117,225</u>	<u>115,464</u>
	<u>593,398</u>	<u>406,875</u>	<u>996,578</u>	<u>780,985</u>

* Hong Leong Bank Berhad had implemented a MSS as part of its move to strengthen operational efficiencies. This scheme was offered to all permanent staff at all levels, functions and locations on a voluntary basis, which will create an opportunity for both the Bank and employees to gain mutual benefits.

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

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	RM'000	RM'000	RM'000	RM'000
Group				
Allowance for/(write back of) impairment losses on loans, advances and financing:				
- collective assessment allowance	103,266	59,971	178,490	115,473
- individual assessment allowance	3,975	(57,394)	(1,444)	(66,771)
Impaired loans and financing:				
- written off	7,840	20,266	11,109	28,089
- recovered from bad debt written off	(54,998)	(76,766)	(104,095)	(145,614)
	<u>60,083</u>	<u>(53,923)</u>	<u>84,060</u>	<u>(68,823)</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	RM'000	RM'000	RM'000	RM'000
Bank				
Allowance for/(write back of) impairment losses on loans, advances and financing:				
- collective assessment allowance	89,067	60,719	149,676	112,379
- individual assessment allowance	3,678	(42,034)	(2,418)	(56,076)
Impaired loans and financing:				
- written off	4,885	19,859	7,750	26,957
- recovered from bad debt written off	(50,064)	(70,455)	(94,007)	(133,147)
	<u>47,566</u>	<u>(31,911)</u>	<u>61,001</u>	<u>(49,887)</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 31/12/2015	Financial Year Ended 30/06/2015	Financial Period Ended 31/12/2015	Financial Year Ended 30/06/2015
Before deducting proposed dividends				
CET I capital ratio	13.585%	11.147%	12.741%	9.861%
Tier I capital ratio	14.705%	12.297%	14.034%	11.179%
Total capital ratio	<u>16.483%</u>	<u>14.715%</u>	<u>16.530%</u>	<u>14.226%</u>
After deducting proposed dividends				
CET I capital ratio	13.327%	10.750%	12.443%	9.406%
Tier I capital ratio	14.446%	11.900%	13.736%	10.724%
Total capital ratio	<u>16.225%</u>	<u>14.318%</u>	<u>16.232%</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 31/12/2015 RM'000	Financial Year Ended 30/06/2015 RM'000	Financial Period Ended 31/12/2015 RM'000	Financial Year Ended 30/06/2015 RM'000
CET I capital				
Paid-up share capital	2,167,718	1,879,909	2,167,718	1,879,909
Share premium	5,571,314	2,872,183	5,571,314	2,872,183
Retained profits	7,766,281	7,819,514	5,741,784	5,653,204
Other reserves	4,921,976	4,363,914	3,415,003	3,219,396
Less: Treasury shares	(735,040)	(648,588)	(735,040)	(648,588)
Less: Deferred tax assets	(42,239)	-	(41,559)	-
Less: Other intangible assets	(300,637)	(318,107)	(279,798)	(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	(1,372,414)	(1,242,626)	(954,362)	(952,672)
Total CET I capital	16,145,647	12,894,887	13,113,513	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	17,475,647	14,224,887	14,443,513	11,279,084
Tier II capital				
Collective assessment allowance ^ and regulatory reserves #	1,173,439	1,109,877	1,001,870	951,123
Subordinated bonds	2,999,186	3,552,000	2,999,186	3,552,000
Tier II capital before regulatory adjustments	4,172,625	4,661,877	4,001,056	4,503,123
Less: Regulatory adjustments				
Investment in subsidiary companies	-	-	(817,602)	(815,066)
Investment in associated company	(1,970,899)	(1,786,666)	(567,915)	(567,915)
Investment in joint venture	(87,722)	(77,274)	(46,027)	(46,027)
Total Tier II capital	2,114,004	2,797,937	2,569,512	3,074,115
Total capital	19,589,651	17,022,824	17,013,025	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 RM451,914,000 (2015: RM388,112,000) and RM392,476,000 (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 31/12/2015 RM'000	Financial Year Ended 30/06/2015 RM'000	Financial Period Ended 31/12/2015 RM'000	Financial Year Ended 30/06/2015 RM'000
Credit risk	107,743,714	105,009,787	92,730,077	91,202,163
Market risk	3,483,886	3,052,311	3,483,134	3,065,215
Operational risk	7,617,628	7,620,076	6,706,914	6,627,632
Total RWA	118,845,228	115,682,174	102,920,125	100,895,010

The Bank and its Islamic subsidiary, HLISB's profit after tax for the half year ended 31 December 2015, had been subjected to a limited review by our external auditors. As such the Bank's and HLISB's profit after tax for the half year ended 31 December 2015 have been included in the capital base used in the computation of the Group's and the Bank's Capital Adequacy Ratios accordingly.

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

Hong Leong Islamic Bank Berhad		
	Financial Period Ended 31/12/2015	Financial Year Ended 30/06/2015
Before deducting proposed dividends		
CET I capital ratio	10.991%	11.323%
Tier I capital ratio	10.991%	11.323%
Total capital ratio	<u>14.707%</u>	<u>15.240%</u>
After deducting proposed dividends		
CET I capital ratio	10.782%	11.253%
Tier I capital ratio	10.782%	11.253%
Total capital ratio	<u>14.498%</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 31/12/2015

	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	671,993	118,498	353,879	52,422	(123,282)	1,073,510
Inter-segment revenue	(82,251)	119,794	(172,996)	-	135,453	-
Segment revenue	<u>589,742</u>	<u>238,292</u>	<u>180,883</u>	<u>52,422</u>	<u>12,171</u>	<u>1,073,510</u>
Segment profit before taxation	198,902	166,124	155,992	7,093	(170,746)	357,365
Share of profit after tax of equity accounted associated company				63,116		63,116
Share of profit after tax of equity accounted joint venture				5,329		5,329
Profit before taxation						<u>425,810</u>
Taxation						(81,728)
Profit after taxation						<u><u>344,082</u></u>

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

Financial period ended 31/12/2015

	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	1,328,820	229,512	669,949	104,899	(236,434)	2,096,746
Inter-segment revenue	(145,896)	247,278	(362,379)	-	260,997	-
Segment revenue	<u>1,182,924</u>	<u>476,790</u>	<u>307,570</u>	<u>104,899</u>	<u>24,563</u>	<u>2,096,746</u>
Segment profit before taxation	447,545	350,487	257,402	10,867	(169,569)	896,732
Share of profit after tax of equity accounted associated company				143,522		143,522
Share of profit after tax of equity accounted joint venture				10,390		10,390
Profit before taxation						<u>1,050,644</u>
Taxation						(203,601)
Profit after taxation						<u>847,043</u>
Segment assets	80,939,832	30,954,404	55,271,688	11,120,605	-	178,286,529
Unallocated assets						9,493,639
Total assets						<u>187,780,168</u>

Corresponding quarter ended 31/12/2014

	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	651,775	122,226	316,358	46,380	(113,291)	1,023,448
Inter-segment revenue	(30,901)	111,134	(207,085)	-	126,852	-
Segment revenue	<u>620,874</u>	<u>233,360</u>	<u>109,273</u>	<u>46,380</u>	<u>13,561</u>	<u>1,023,448</u>
Segment profit before taxation	296,986	252,653	86,694	(1,214)	(19,364)	615,755
Share of profit after tax of equity accounted associated company				88,411		88,411
Share of profit after tax of equity accounted joint venture				2,859		2,859
Profit before taxation						<u>707,025</u>
Taxation						(155,423)
Profit after taxation						<u>551,602</u>

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

Corresponding financial period ended 31/12/2014

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Others and Inter-Segment Elimination RM'000	Total RM'000
<u>By business segment</u>						
External revenue	1,282,486	262,425	635,234	95,441	(237,580)	2,038,006
Inter-segment revenue	(66,556)	203,760	(402,087)	-	264,883	-
Segment revenue	<u>1,215,930</u>	<u>466,185</u>	<u>233,147</u>	<u>95,441</u>	<u>27,303</u>	<u>2,038,006</u>
Segment profit before taxation	560,085	461,189	185,911	8,754	4,940	1,220,879
Share of profit after tax of equity accounted associated company				183,817		183,817
Share of profit after tax of equity accounted joint venture				6,264		6,264
Profit before taxation						<u>1,410,960</u>
Taxation						(311,790)
Profit after taxation						<u>1,099,170</u>
Segment assets	73,504,068	29,441,521	55,409,453	9,424,988	-	167,780,030
Unallocated assets						9,202,847
Total assets						<u>176,982,877</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 31 December 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	
	31/12/2015 RM'000	30/06/2015 RM'000	31/12/2015 RM'000	30/06/2015 RM'000
Principal Amount				
Direct credit substitutes	116,354	212,983	115,576	211,578
Certain transaction related contingent items	1,643,041	1,606,465	1,544,096	1,508,972
Short-term self liquidating trade related contingencies	784,376	755,587	768,980	741,482
Irrevocable commitments to extend credit:				
- maturity more than one year	17,842,415	18,158,775	14,022,673	14,680,331
- maturity less than one year	18,733,195	17,262,934	16,745,922	15,610,783
Foreign exchange related contracts:				
- less than one year	28,206,503	31,118,946	27,031,174	30,203,845
- one year to less than five years	5,308,121	4,409,157	5,311,133	4,409,157
- five years and above	908,227	819,693	908,227	819,693
Interest rate related contracts:				
- less than one year	24,980,413	21,887,447	25,150,413	21,857,447
- one year to less than five years	39,355,342	42,671,138	39,155,342	42,386,138
- five years and above	1,996,267	2,129,631	1,996,267	2,129,631
Equity related contracts:				
- less than one year	269,143	360,330	269,143	360,330
- one year to less than five years	222,805	102,937	222,805	102,937
Commodity related contracts:				
- less than one year	6,803	1,471	6,803	1,471
- one year to less than five years	801	3,826	801	3,826
Unutilised credit card lines	7,431,359	7,426,036	7,431,359	7,426,036
Total	147,805,165	148,927,356	140,680,714	142,453,657

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A31 Related party transactions

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

(a) Connected parties exposures

	The Group		The Bank	
	31/12/2015 RM'000	30/06/2015 RM'000	31/12/2015 RM'000	30/06/2015 RM'000
Aggregate value of outstanding credit exposures with connected parties	2,569,023	5,341,771	2,357,186	5,129,116
Outstanding credit exposures to connected parties as a proportion of total credit exposures (%)	1.88%	4.04%	2.03%	4.52%
Outstanding credit exposures with connected parties which is non-performing or in default as a proportion of total credit exposures (%)	0.0004%	0.0004%	0.0005%	0.0004%

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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 31/12/2015			
	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	-	11,278,809	-	11,278,809
- Quoted Securities	194,284	-	-	194,284
- Unquoted Securities	-	474,983	-	474,983
Financial investments available-for-sale				
- Money market instrument	-	4,295,752	-	4,295,752
- Quoted Securities	10,505,883	-	-	10,505,883
- Unquoted Securities	-	6,675,881	395,442	7,071,323
Derivative financial instruments	557	1,373,955	5,265	1,379,777
	<u>10,700,724</u>	<u>24,099,380</u>	<u>400,707</u>	<u>35,200,811</u>
<u>Financial Liability</u>				
Derivative financial instruments	<u>1,080</u>	<u>1,414,357</u>	<u>5,265</u>	<u>1,420,702</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 31/12/2015			
	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	-	11,008,676	-	11,008,676
- Quoted Securities	194,284	-	-	194,284
- Unquoted Securities	-	404,519	-	404,519
Financial investments available-for-sale				
- Money market instrument	-	3,197,181	-	3,197,181
- Quoted Securities	10,327,114	-	-	10,327,114
- Unquoted Securities	-	5,974,391	395,442	6,369,833
Derivative financial instruments	557	1,355,767	5,265	1,361,589
	<u>10,521,955</u>	<u>21,940,534</u>	<u>400,707</u>	<u>32,863,196</u>
<u>Financial Liability</u>				
Derivative financial instruments	<u>1,080</u>	<u>1,391,387</u>	<u>5,265</u>	<u>1,397,732</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	-	(6,360)	(6,360)
Net fair value changes recognised in other comprehensive income	555	-	-
Purchases	-	4,568	4,568
Disposal	-	105	105
At 31 December	<u>395,442</u>	<u>5,265</u>	<u>5,265</u>
Total losses recognised in statement of income relating to assets/liability held on 31 December 2015	<u>-</u>	<u>(6,360)</u>	<u>(6,360)</u>
Total gain recognised in other comprehensive income relating to assets held on 31 December 2015	<u>555</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	-	(6,360)	(6,360)
Net fair value changes recognised in other comprehensive income	555	-	-
Purchases	-	4,568	4,568
Disposal	-	105	105
At 31 December	<u>395,442</u>	<u>5,265</u>	<u>5,265</u>
Total losses recognised in statement of income relating to assets/liability held on 31 December 2015	<u>-</u>	<u>(6,360)</u>	<u>(6,360)</u>
Total gain recognised in other comprehensive income relating to assets held on 31 December 2015	<u>555</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 Investments available-for-sale RM'000	Derivative financial instruments RM'000	Financial 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>

A33 Liquidity risk

Please refer to Appendix A.

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

B1 Review of performance

Current Quarter vs. Previous Year Corresponding Quarter

The Group recorded a pre-tax profit of RM425.8 million for the current financial quarter ended 31 December 2015, a decrease of RM281.2 million or 39.8% as compared to previous corresponding quarter. The decrease in pre-tax profit was mainly due to higher operating expenses of RM194.8 million, higher charge on allowance for impairment losses on loans, advances and financing of RM114.0 million coupled with lower share of profit from associated company of RM25.3 million. This is however mitigated by higher net income of RM50.1 million and higher share of profit from joint venture of RM2.5 million.

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

Personal Financial Services

The Personal Financial Services's segment recorded a pre-tax profit of RM198.9 million for the 2nd quarter ended December 2015 as compared to previous corresponding quarter of RM297.0 million. The decrease in pre-tax profit was mainly contributed by lower total income arising from margin compression negated by the impact of growth in earning assets, higher net loan impairment allowances arising from provisions relating to Reschedule & Restructure in accordance with BNM's classification policy and higher operating expenses.

Business and Corporate Banking

The Business and Corporate Banking's segment recorded a pre-tax profit of RM166.1 million for the 2nd quarter ended December 2015 as compared to previous corresponding quarter of RM252.7 million. Lower pre-tax profit was mainly due to lower writeback for individual assessment allowance on loans, advances and financing, higher operating expenses, mitigated by higher total income contributed by indulgence fees booked.

Global Markets

The Global Market's segment recorded a pre-tax profit of RM156.0 million for the 2nd quarter ended December 2015 as compared to previous corresponding quarter of RM86.7 million. The increase in pre-tax profit was due to higher total income, offset by higher operating expenses and lower writeback of impairment losses.

International Banking

The International Banking's segment recorded a pre-tax profit of RM75.5 million for 2nd quarter ended December 2015 as compared to previous corresponding quarter of RM90.1 million. The decline in performance was mainly contributed by lower share of profit from associated company in China as they have experienced a series of unanticipated lending rates cut by their Central Bank as a measure to promote economic growth and increase in impairment provisioning requirement, eroding their profit.

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B1 Review of performance (continued)

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

The Group pre-tax profit for the financial period ended 31 December 2015 stood at RM1,050.6 million, a decrease of RM360.4 million or 25.5% as compared to RM1,411.0 million in the previous corresponding period. The decrease was mainly due to higher operating expenses of RM228.4 million, higher charge on allowance for impairment losses on loans, advances and financing of RM152.9 million coupled with lower share of profit from associated company of RM40.3 million. This is however mitigated by higher net income of RM58.7 million and higher share of profit from joint venture of RM4.1 million.

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

Personal Financial Services

The Personal Financial Services's segment recorded a pre-tax profit of RM447.5 million for the financial period ended December 2015 as compared to previous corresponding period of RM560.1 million. Lower pre-tax profit mainly arising from lower total income, higher operating expenses and higher allowances for impairment on loans, advances and financing.

Personal Financial Services's loan base grew from RM73.1 billion in December 2014 to RM80.5 billion in December 2015. Deposit base registered a growth from RM71.0 billion to RM74.1 billion.

Business and Corporate Banking

The Group Business and Corporate Banking's segment recorded a pre-tax profit of RM350.5 million for the financial period ended December 2015 as compared to corresponding period of RM461.2 million. Lower pre-tax profit was driven by higher allowances for impairment on loans, advances and financing, higher operating expenses and lower impairment writeback, mitigated by higher total income.

Business and Corporate Banking's loan base grew from RM29.4 billion in December 2014 to RM30.9 billion in December 2015. Deposit base registered an increase from RM34.8 billion to RM38.5 billion.

Global Markets

The Global Market's segment recorded a pre-tax profit of RM257.4 million for the financial period ended December 2015 as compared to corresponding period of RM185.9 million. The increase in pre-tax profit was mainly contributed by higher total income primarily arising from forex revaluation profit with USD strengthening against MYR and increase in forex franchise business transactions.

Treasury earning assets registered a decrease from RM53.5 billion in December 2014 to RM53.1 billion in December 2015.

International Banking

The International Banking's segment recorded a pre-tax profit of RM164.8 million for the financial period ended December 2015 as compared to previous corresponding period of RM198.8 million, pertaining to the factors as explained above.

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B2 Current Quarter vs. Preceding Quarter

For the current financial quarter, the Group recorded a pre-tax profit of RM425.8 million as compared to RM624.8 million in the preceding quarter, a decrease of RM199.0 million arising from higher operating expenses of RM195.4 million, higher charge on allowance for impairment losses on loans, advances and financing of RM36.1 million coupled with lower share of profit from associated company of RM17.3 million. This is however offset by higher net income of RM50.3 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

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	RM'000	RM'000	RM'000	RM'000
The Group				
Income tax	141,008	157,637	306,966	316,215
Transfer to deferred taxation	(59,280)	(2,214)	(103,365)	(4,425)
	<u>81,728</u>	<u>155,423</u>	<u>203,601</u>	<u>311,790</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	RM'000	RM'000	RM'000	RM'000
The Bank				
Income tax	134,711	174,513	287,369	315,113
Transfer to deferred taxation	(59,280)	(2,214)	(103,365)	(4,425)
	<u>75,431</u>	<u>172,299</u>	<u>184,004</u>	<u>310,688</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.

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B9 Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 December 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	18,252,034	509,157	(243,568)
(ii) 1 year to 3 years	39,923	4,678	(10)
Swaps			
(i) Less than 1 year	6,990,894	135,481	(116,392)
(ii) 1 year to 3 years	4,735,379	360,714	(606,665)
(iii) More than 3 years	1,441,046	121,524	(122,186)
Options			
(i) Less than 1 year	2,963,575	32,657	(26,847)
Interest rate related contracts			
Futures			
(i) Less than 1 year	1,925,136	557	(1,080)
Swaps			
(i) Less than 1 year	23,055,277	17,061	(18,163)
(ii) 1 year to 3 years	20,396,376	73,810	(72,505)
(iii) More than 3 years	20,955,233	115,069	(204,254)
Equity related contracts			
(i) Less than 1 year	269,145	1,171	(1,171)
(ii) 1 year to 3 years	222,803	4,094	(4,094)
Commodity related contracts			
(i) Less than 1 year	6,803	3,404	(3,370)
(ii) 1 year to 3 years	801	400	(397)
Total	101,254,425	1,379,777	(1,420,702)

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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 31 December 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	17,308,185	493,300	(229,867)
(ii) 1 year to 3 years	42,935	4,667	-
Swaps			
(i) Less than 1 year	6,759,414	135,260	(115,976)
(ii) 1 year to 3 years	4,735,379	360,715	(606,665)
(iii) More than 3 years	1,441,046	121,524	(122,186)
Options			
(i) Less than 1 year	2,963,575	32,657	(26,847)
Interest rate related contracts			
Futures			
(i) Less than 1 year	1,925,136	557	(1,080)
Swaps			
(i) Less than 1 year	23,225,277	16,741	(17,883)
(ii) 1 year to 3 years	20,026,377	68,719	(67,223)
(iii) More than 3 years	21,125,232	118,380	(200,975)
Equity related contracts			
(i) Less than 1 year	269,144	1,171	(1,171)
(ii) 1 year to 3 years	222,804	4,094	(4,094)
Commodity related contracts			
(i) Less than 1 year	6,803	3,404	(3,370)
(ii) 1 year to 3 years	801	400	(395)
Total	100,052,108	1,361,589	(1,397,732)

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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 RM59,477,062 (FYE June 2015: RM33,684,338) and RM70,002,396,032 (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 RM1,465,603,133 (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

An interim single tier dividend of 15.0 sen per share has been proposed for the current quarter.

- (i) Amount per share: 15.0 sen.
- (ii) Previous corresponding quarter: single tier dividend of 15.0 sen per share.
- (iii) Entitlement date: 10 March 2016
- (iv) Payment date: 24 March 2016

B12 Realised and Unrealised Profits

	The Group	
	Financial Period Ended 31/12/2015	Financial Year Ended 30/06/2015
	RM'000	RM'000
Total retained profits of Hong Leong Bank Berhad and subsidiaries		
- Realised	5,534,782	5,206,647
- Unrealised	754,713	1,010,241
	6,289,495	6,216,888
Total share of retained profits from associated company		
- Realised	1,848,283	1,704,761
Total share of retained profits from joint venture		
- Realised	40,160	29,770
	8,177,938	7,951,419
Less: Consolidation adjustment	(257,745)	(131,905)
Total Group's retained profits	7,920,193	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.

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	RM'000	RM'000	RM'000	RM'000
<u>The Group</u>				
Net profit attributable to equity holders	344,082	551,602	847,043	1,099,170
Weighted average number of ordinary shares in issue ('000)	1,886,166	1,879,909	1,886,166	1,879,909
Less: Treasury shares held	(115,390)	(114,321)	(115,390)	(114,321)
	<u>1,770,776</u>	<u>1,765,588</u>	<u>1,770,776</u>	<u>1,765,588</u>
Basic earnings per share (sen)	19.4	31.2	47.8	62.3
<u>The Bank</u>				
Net profit attributable to equity holders	432,303	506,044	807,532	915,445
Weighted average number of ordinary shares in issue ('000)	1,886,166	1,879,909	1,886,166	1,879,909
Less: Treasury shares held	(115,390)	(114,321)	(115,390)	(114,321)
	<u>1,770,776</u>	<u>1,765,588</u>	<u>1,770,776</u>	<u>1,765,588</u>
Basic earnings per share (sen)	24.4	28.7	45.6	51.8

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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.

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000
<u>The Group</u>				
Net profit attributable to equity holders	344,082	551,602	847,043	1,099,170
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,770,776	1,765,588	1,770,776	1,765,588
- adjustment for ESOS	-	44	-	44
	1,770,776	1,765,632	1,770,776	1,765,632
Fully diluted earnings per share (sen)	19.4	31.2	47.8	62.3
<u>The Bank</u>				
Net profit attributable to equity holders	432,303	506,044	807,532	915,445
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,770,776	1,765,588	1,770,776	1,765,588
- adjustment for ESOS	-	44	-	44
	1,770,776	1,765,632	1,770,776	1,765,632
Fully diluted earnings per share (sen)	24.4	28.7	45.6	51.8

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A33 Liquidity risk

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

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 31 December 2015 based on the remaining contractual maturity:

	The Group							Total
	31 December 2015							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Assets								
Cash and short-term funds	5,337,700	1,708,548	-	-	-	-	-	7,046,248
Deposits and placements with banks and other financial institutions	-	-	981,881	342,837	135,266	-	-	1,459,984
Securities purchased under resale agreements	9,614	4,071,930	333,810	-	-	-	-	4,415,354
Financial assets held-for-trading	1,071,540	3,408,005	4,285,394	1,502,302	28,700	1,652,135	-	11,948,076
Financial investments available-for-sale	4,202,586	20,355	145,073	365,749	1,579,099	15,148,134	411,962	21,872,958
Financial investments held-to-maturity	49	20,359	2,948,289	69,734	1,916,917	6,415,432	-	11,370,780
Loans, advances and financing	9,526,001	9,702,873	4,033,747	1,293,720	4,287,192	87,767,203	-	116,610,736
Other assets	182,228	2,160	4,046	4,664	2,814	6,886	871,463	1,074,261
Derivative financial instruments	87,824	170,928	153,513	187,229	99,994	680,289	-	1,379,777
Statutory deposits with Central Banks	-	-	-	-	-	-	4,267,511	4,267,511
Investment in associated companies	-	-	-	-	-	-	3,284,832	3,284,832
Investment in joint venture	-	-	-	-	-	-	146,203	146,203
Property and equipment	-	-	-	-	-	-	729,260	729,260
Intangible assets	-	-	-	-	-	-	300,637	300,637
Goodwill	-	-	-	-	-	-	1,831,312	1,831,312
Deferred tax assets	-	-	-	-	-	-	42,239	42,239
Total assets	20,417,542	19,105,158	12,885,753	3,766,235	8,049,982	111,670,079	11,885,419	187,780,168

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A33 Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 31 December 2015 based on the remaining contractual maturity: (continued)

	The Group							Total
	31 December 2015							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Liabilities								
Deposits from customers	50,722,316	25,987,583	24,923,214	17,669,067	20,624,017	4,680,902	-	144,607,099
Deposits and placements of banks and other financial institutions	934,363	2,784,245	1,299,492	68,459	37,797	-	-	5,124,356
Obligations on securities sold under repurchase agreements	1,063,351	458,791	2,550,657	-	-	-	-	4,072,799
Bills and acceptances payable	197	3,595	25,551	15,329	2,243	-	241,002	287,917
Other liabilities	3,493,661	-	-	-	13,026	-	205,469	3,712,156
Derivative financial instruments	70,294	122,989	65,637	104,623	47,050	1,010,109	-	1,420,702
Senior bonds	-	-	1,299,060	-	-	1,296,143	-	2,595,203
Tier 2 subordinated bonds	-	-	-	1,006,771	-	2,401,328	-	3,408,099
Non-innovative Tier 1 stapled securities	-	-	-	1,411,010	-	-	-	1,411,010
Innovative Tier 1 capital securities	-	-	-	-	-	525,521	-	525,521
Taxation	-	-	-	-	-	-	219,148	219,148
Total liabilities	56,284,182	29,357,203	30,163,611	20,275,259	20,724,133	9,914,003	665,619	167,384,010
Total equity	-	-	-	-	-	-	20,396,158	20,396,158
Total liabilities and equity	56,284,182	29,357,203	30,163,611	20,275,259	20,724,133	9,914,003	21,061,777	187,780,168
Net liquidity gap	(35,866,640)	(10,252,045)	(17,277,858)	(16,509,024)	(12,674,151)	101,756,076	11,219,800	20,396,158

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A33 Liquidity risk (continued)

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

	The Group							Total
	30 June 2015							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Assets								
Cash and short-term funds	5,647,973	582,310	-	-	-	-	-	6,230,283
Deposits and placements with banks and other financial institutions	-	-	1,769,433	1,377,167	835,519	-	-	3,982,119
Securities purchased under resale agreements	2,310,095	8,052,072	1,801,085	-	-	-	-	12,163,252
Financial assets held-for-trading	779,168	603,871	2,913,273	702,851	42,196	2,090,075	-	7,131,434
Financial investments available-for-sale	2,834,853	616,078	877,241	226,376	703,901	14,231,440	817,464	20,307,353
Financial investments held-to-maturity	557	182,895	387,872	70,687	1,667,421	7,640,649	-	9,950,081
Loans, advances and financing	9,177,012	10,206,828	3,762,697	1,280,160	3,605,678	84,091,734	-	112,124,109
Other assets	430,315	4,475	8,696	11,465	2,423	18,793	819,252	1,295,419
Derivative financial instruments	120,924	304,629	261,789	144,110	114,159	479,318	-	1,424,929
Statutory deposits with Central Banks	-	-	-	-	-	-	3,476,192	3,476,192
Investment in associated companies	-	-	-	-	-	-	2,977,776	2,977,776
Investment in joint venture	-	-	-	-	-	-	128,790	128,790
Property and equipment	-	-	-	-	-	-	678,579	678,579
Intangible assets	-	-	-	-	-	-	318,107	318,107
Goodwill	-	-	-	-	-	-	1,831,312	1,831,312
Total assets	21,300,897	20,553,158	11,782,086	3,812,816	6,971,297	108,552,009	11,047,472	184,019,735

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A33 Liquidity risk (continued)

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

	The Group							Total
	30 June 2015							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Liabilities								
Deposits from customers	50,904,161	22,757,242	24,955,477	16,496,263	21,108,308	4,054,697	-	140,276,148
Deposits and placements of banks and other financial institutions	2,405,045	2,132,006	2,082,482	454,087	22,611	-	-	7,096,231
Obligations on securities sold under repurchase agreements	301,670	974,237	1,993,913	421,518	-	-	-	3,691,338
Bills and acceptances payable	276,954	800,826	517,585	16,226	734	-	288,642	1,900,967
Other liabilities	3,702,641	-	-	-	92,436	-	106,042	3,901,119
Derivative financial instruments	121,158	105,872	122,575	161,338	57,583	719,200	-	1,287,726
Senior bonds	-	-	-	-	1,143,718	1,142,662	-	2,286,380
Tier 2 subordinated bonds	-	-	713,113	499,568	1,006,669	2,400,462	-	4,619,812
Non-innovative Tier 1 stapled securities	-	-	-	-	1,410,869	-	-	1,410,869
Innovative Tier 1 capital securities	-	-	-	-	-	530,223	-	530,223
Taxation	-	-	-	-	-	-	152,240	152,240
Deferred tax liabilities	-	-	-	-	-	-	77,090	77,090
Total liabilities	57,711,629	26,770,183	30,385,145	18,049,000	24,842,928	8,847,244	624,014	167,230,143
Total equity	-	-	-	-	-	-	16,789,592	16,789,592
Total liabilities and equity	57,711,629	26,770,183	30,385,145	18,049,000	24,842,928	8,847,244	17,413,606	184,019,735
Net liquidity gap	(36,410,732)	(6,217,025)	(18,603,059)	(14,236,184)	(17,871,631)	99,704,765	10,423,458	16,789,592

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(Incorporated in Malaysia)

A33 Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 31 December 2015 based on the remaining contractual maturity:

	The Bank							Total
	31 December 2015							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Assets								
Cash and short-term funds	5,132,928	1,681,228	-	-	-	-	-	6,814,156
Deposits and placements with banks and other financial institutions	-	-	552,869	342,837	135,266	-	-	1,030,972
Securities purchased under resale agreements	9,614	4,071,930	333,810	-	-	-	-	4,415,354
Financial assets held-for-trading	1,071,540	2,958,916	4,436,490	1,752,575	28,700	1,359,258	-	11,607,479
Financial investments available-for-sale	4,202,586	20,355	86,901	260,249	1,482,936	13,429,139	411,962	19,894,128
Financial investments held-to-maturity	49	-	2,639,304	-	1,679,841	5,232,261	-	9,551,455
Loans, advances and financing	9,120,470	9,165,867	3,684,715	1,091,048	3,528,689	72,189,587	-	98,780,376
Other assets	15,812	2,105	3,936	4,521	2,693	6,736	907,151	942,954
Derivative financial instruments	87,697	169,358	151,807	174,949	99,279	678,499	-	1,361,589
Amount due from subsidiaries	-	-	-	-	-	-	12,546	12,546
Statutory deposits with Central Banks	-	-	-	-	-	-	3,560,353	3,560,353
Subsidiary companies	-	-	-	-	-	-	1,362,670	1,362,670
Investment in associated companies	-	-	-	-	-	-	946,525	946,525
Investment in joint venture	-	-	-	-	-	-	76,711	76,711
Property and equipment	-	-	-	-	-	-	680,004	680,004
Intangible assets	-	-	-	-	-	-	279,798	279,798
Goodwill	-	-	-	-	-	-	1,771,547	1,771,547
Deferred tax assets	-	-	-	-	-	-	41,559	41,559
Total assets	19,640,696	18,069,759	11,889,832	3,626,179	6,957,404	92,895,480	10,050,826	163,130,176

HONG LEONG BANK BERHAD
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A33 Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 31 December 2015 based on the remaining contractual maturity: (continued)

	The Bank							Total
	31 December 2015							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Liabilities								
Deposits from customers	42,871,122	23,513,042	21,026,316	15,652,116	18,420,232	4,387,801	-	125,870,629
Deposits and placements of banks and other financial institutions	945,322	2,106,550	878,225	4,294	37,797	-	-	3,972,188
Obligations on securities sold under repurchase agreements	1,063,351	458,791	2,550,657	-	-	-	-	4,072,799
Bills and acceptances payable	187	3,465	24,601	14,819	2,243	-	226,471	271,786
Other liabilities	2,889,281	-	-	-	13,111	-	252,206	3,154,598
Derivative financial instruments	70,212	121,717	64,204	94,285	45,777	1,001,537	-	1,397,732
Senior bonds	-	-	1,299,060	-	-	1,296,143	-	2,595,203
Tier 2 subordinated bonds	-	-	-	1,006,771	-	2,000,875	-	3,007,646
Non-innovative Tier 1 stapled securities	-	-	-	1,411,010	-	-	-	1,411,010
Innovative Tier 1 capital securities	-	-	-	-	-	525,521	-	525,521
Taxation	-	-	-	-	-	-	197,303	197,303
Total liabilities	47,839,475	26,203,565	25,843,063	18,183,295	18,519,160	9,211,877	675,980	146,476,415
Total equity	-	-	-	-	-	-	16,653,761	16,653,761
Total liabilities and equity	47,839,475	26,203,565	25,843,063	18,183,295	18,519,160	9,211,877	17,329,741	163,130,176
Net liquidity gap	(28,198,779)	(8,133,806)	(13,953,231)	(14,557,116)	(11,561,756)	83,683,603	9,374,846	16,653,761

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A33 Liquidity risk (continued)

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

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

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A33 Liquidity risk (continued)

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

	The Bank							Total
	30 June 2015							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Liabilities								
Deposits from customers	44,055,893	20,453,431	21,061,472	13,901,575	19,215,889	3,648,784	-	122,337,044
Deposits and placements of banks and other financial institutions	2,176,976	1,972,999	1,831,223	129,300	22,611	-	-	6,133,109
Obligations on securities sold under repurchase agreements	301,670	974,237	1,993,913	421,518	-	-	-	3,691,338
Bills and acceptances payable	276,948	800,712	516,695	15,029	734	-	264,020	1,874,138
Other liabilities	3,068,871	-	-	-	89,442	-	105,693	3,264,006
Derivative financial instruments	115,917	104,406	117,194	161,169	57,348	713,860	-	1,269,894
Senior bonds	-	-	-	-	1,143,718	1,142,662	-	2,286,380
Tier 2 subordinated bonds	-	-	713,113	499,568	1,006,669	2,000,157	-	4,219,507
Non-innovative Tier 1 stapled securities	-	-	-	-	1,410,869	-	-	1,410,869
Innovative Tier 1 capital securities	-	-	-	-	-	530,223	-	530,223
Taxation	-	-	-	-	-	-	160,243	160,243
Deferred tax liabilities	-	-	-	-	-	-	75,672	75,672
Total liabilities	49,996,275	24,305,785	26,233,610	15,128,159	22,947,280	8,035,686	605,628	147,252,423
Total equity	-	-	-	-	-	-	13,428,164	13,428,164
Total liabilities and equity	49,996,275	24,305,785	26,233,610	15,128,159	22,947,280	8,035,686	14,033,792	160,680,587
Net liquidity gap	(30,724,912)	(4,099,553)	(14,313,697)	(11,649,845)	(16,804,859)	82,172,739	8,848,291	13,428,164