

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2015

	As at 30/09/2015 RM '000	As at 30/06/2015 RM '000
THE GROUP		
<u>Assets</u>		
Cash and short term funds	7,244,886	8,463,194
Deposits and placements with banks and other financial institutions	4,815,945	4,325,129
Securities purchased under resale agreements	6,201,545	12,163,252
Financial assets held-for-trading	10,677,632	9,238,804
Financial investments available-for-sale	32,819,881	29,623,057
Financial investments held-to-maturity	11,241,115	10,941,838
Derivative financial instruments	2,398,526	1,468,084
Loans, advances and financing	116,026,854	113,111,668
Clients' and brokers' balances	329,622	337,631
Other receivables	1,941,123	1,417,681
Statutory deposits with Central Banks	3,760,420	3,532,372
Tax recoverable	5,046	49,961
Investment in associates	4,246,217	3,740,302
Investment in joint ventures	147,787	129,230
Property and equipment	1,158,168	1,149,955
Goodwill	2,410,644	2,410,644
Intangible assets	330,977	337,842
Total Assets	205,756,388	202,440,644
<u>Liabilities</u>		
Deposits from customers	144,105,693	140,955,465
Deposits and placements of banks and other financial institutions	7,185,558	8,943,622
Obligations on securities sold under repurchase agreements	4,482,577	3,691,338
Bills and acceptances payable	342,497	1,900,967
Derivatives financial instruments	2,752,667	1,369,365
Clients' and brokers' balances	173,845	192,728
Payables and other liabilities	6,097,118	5,796,694
Provision for claims	128,144	128,905
Provision for taxation	166,636	168,926
Deferred tax liabilities	65,121	171,845
Borrowings	3,880,321	3,096,882
Subordinated obligations	4,504,574	5,161,255
Non-innovative Tier 1 stapled securities	1,428,774	1,410,869
Innovative Tier 1 capital securities	517,447	530,223
Insurance funds	9,460,266	9,457,257
Total Liabilities	185,291,238	182,976,341
<u>Equity</u>		
Share capital	1,052,768	1,052,768
Capital reserves	4,614,834	4,083,755
Retained profits	8,067,785	7,816,792
Fair value reserve	95,222	170,409
Treasury shares for ESOS	(21,788)	(12,698)
Total shareholders' equity	13,808,821	13,111,026
Non-controlling interests	6,656,329	6,353,277
Total Equity	20,465,150	19,464,303
Total Liabilities and Equity	205,756,388	202,440,644
Commitment and Contingencies		
	161,723,986	157,622,016
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)	13.15	12.48

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 FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2015

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/09/2015	quarter ended 30/09/2014	to date 30/09/2015	to date 30/09/2014
THE GROUP	RM '000	RM '000	RM '000	RM '000
Interest income	1,585,285	1,538,395	1,585,285	1,538,395
Interest expense	(928,629)	(853,100)	(928,629)	(853,100)
Net interest income	656,656	685,295	656,656	685,295
Net income from Islamic banking business	114,532	110,049	114,532	110,049
Non-interest income	375,434	288,165	375,434	288,165
Net income	1,146,622	1,083,509	1,146,622	1,083,509
Overhead expenses	(505,602)	(466,753)	(505,602)	(466,753)
Operating profit before allowances (Allowance for)/Writeback of impairment losses on loans, advances and financing and other losses	641,020	616,756	641,020	616,756
(Allowance for)/Writeback of impairment losses	(23,973)	14,914	(23,973)	14,914
	(22,151)	4,805	(22,151)	4,805
	594,896	636,475	594,896	636,475
Share of results of associated companies	97,194	107,336	97,194	107,336
Share of results of joint ventures	4,889	3,182	4,889	3,182
Profit before taxation	696,979	746,993	696,979	746,993
Taxation	(115,300)	(155,119)	(115,300)	(155,119)
Net profit for the financial period	581,679	591,874	581,679	591,874
Attributable to:				
Owners of the parent	386,882	392,155	386,882	392,155
Non-controlling interests	194,797	199,719	194,797	199,719
Net profit for the financial period	581,679	591,874	581,679	591,874
Earnings per share - basic (sen)	36.9	37.4	36.9	37.4
Earnings per share - fully diluted (sen)	36.8	37.4	36.8	37.4

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 FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2015

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/09/2015 RM '000	Last year quarter ended 30/09/2014 RM '000	Current year to date 30/09/2015 RM '000	Last year to date 30/09/2014 RM '000
THE GROUP				
Net profit for the financial period	581,679	591,874	581,679	591,874
Other comprehensive income/(loss):				
<u>Items that may be reclassified subsequently to profit or loss:</u>				
Share of other comprehensive income/ (loss) of associated companies	4,492	(2,974)	4,492	(2,974)
Net fair value changes in financial investments available-for-sale	(156,688)	(164,180)	(156,688)	(164,180)
Net fair value changes in cash flow hedge	2,625	-	2,625	-
Currency translation differences	545,942	16,527	545,942	16,527
Income tax relating to components of other comprehensive loss	40,867	41,045	40,867	41,045
Total comprehensive income for the financial period, net of tax	<u>1,018,917</u>	<u>482,292</u>	<u>1,018,917</u>	<u>482,292</u>
Attributable to:				
Owners of the parent	679,927	280,826	679,927	280,826
Non-controlling interests	338,990	201,466	338,990	201,466
	<u>1,018,917</u>	<u>482,292</u>	<u>1,018,917</u>	<u>482,292</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 FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2015**

	As at 30/09/2015 RM '000	As at 30/06/2015 RM '000
THE COMPANY		
<u>Assets</u>		
Cash and short term funds	9,740	8,345
Deposits and placements with banks and other financial institutions	9,493	8,888
Financial assets held-for-trading	408,500	-
Derivative financial instruments	1,380	126
Other receivables	644	788
Tax recoverable	5,294	9,771
Deferred tax assets	2,531	2,170
Investment in subsidiary companies	15,007,609	15,007,609
Property and equipment	2,212	2,375
Intangible assets	185	213
Total Assets	15,447,588	15,040,285
<u>Liabilities</u>		
Derivative financial instruments	467	1,158
Payables and other liabilities	13,281	11,103
Borrowings	1,275,755	860,666
Total Liabilities	1,289,503	872,927
<u>Financed by:</u>		
Share capital	1,052,768	1,052,768
Capital reserves	372,220	372,220
Retained profits	12,733,099	12,742,372
Treasury shares for ESOS	(2)	(2)
Total Equity	14,158,085	14,167,358
Total Liabilities and Equity	15,447,588	15,040,285
Commitment and Contingencies	463,187	775,000

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 FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2015

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/09/2015	quarter ended 30/09/2014	to date 30/09/2015	to date 30/09/2014
THE COMPANY	RM '000	RM '000	RM '000	RM '000
Interest income	191	1,742	191	1,742
Interest expense	(9,837)	(14,353)	(9,837)	(14,353)
Net interest expense	(9,646)	(12,611)	(9,646)	(12,611)
Non-interest income	5,438	104,121	5,438	104,121
Net income	(4,208)	91,510	(4,208)	91,510
Overhead expenses	(5,261)	(7,203)	(5,261)	(7,203)
(Loss)/Profit before taxation	(9,469)	84,307	(9,469)	84,307
Taxation	196	(242)	196	(242)
Net (loss)/profit for the financial period	(9,273)	84,065	(9,273)	84,065
Earnings per share - basic (sen)	(0.9)	8.0	(0.9)	8.0
Earnings per share - fully diluted (sen)	(0.9)	8.0	(0.9)	8.0

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2015

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/09/2015	quarter ended 30/09/2014	to date 30/09/2015	to date 30/09/2014
THE COMPANY	RM '000	RM '000	RM '000	RM '000
Net (loss)/profit for the financial period	(9,273)	84,065	(9,273)	84,065
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive (loss)/income for the financial period, net of tax	(9,273)	84,065	(9,273)	84,065

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 FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

	Share capital RM '000	Share premium RM '000	Statutory reserve RM '000	Other Capital reserve RM '000	Share options reserve RM '000	Fair value reserve RM '000	Cash flow hedge reserve RM '000	Regulatory reserve# RM '000	Exchange fluctuation reserve RM '000	Retained profits RM '000	Treasury shares for ESOS RM '000	Total shareholders' equity RM '000	Non-controlling interests RM '000	Total equity RM '000
THE GROUP														
At 1 July 2015	1,052,768	117,229	2,964,899	134,868	-	170,409	106	402,388	464,265	7,816,792	(12,698)	13,111,026	6,353,277	19,464,303
<u>Comprehensive income</u>														
Net profit for the financial period	-	-	-	-	-	-	-	-	-	386,882	-	386,882	194,797	581,679
Currency translation differences	-	-	-	-	-	-	-	-	366,923	-	-	366,923	179,019	545,942
Share of other comprehensive income of associates	-	-	-	-	-	2,701	-	-	-	-	-	2,701	1,791	4,492
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	(77,888)	-	-	-	-	-	(77,888)	(37,305)	(115,193)
Net fair value changes in cash flow hedge, net of tax	-	-	-	-	-	-	1,309	-	-	-	-	1,309	688	1,997
Total comprehensive (loss)/income	-	-	-	-	-	(75,187)	1,309	-	366,923	386,882	-	679,927	338,990	1,018,917
<u>Transaction with owners</u>														
Transfer to statutory reserve	-	-	105,060	-	-	-	-	-	-	(105,060)	-	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	-	52,610	-	(52,610)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	21,781	-	21,781	(21,781)	-
Non-controlling interests share of subsidiaries' treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	(14,157)	(14,157)
Option charge arising from ESOS	-	-	-	-	5,177	-	-	-	-	-	-	5,177	-	5,177
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	(9,090)	(9,090)	-	(9,090)
At 30 September 2015	1,052,768	117,229	3,069,959	134,868	5,177	95,222	1,415	454,998	831,188	8,067,785	(21,788)	13,808,821	6,656,329	20,465,150
	Share capital RM '000	Share premium RM '000	Statutory reserve RM '000	Other Capital reserve RM '000	Share options reserve RM '000	Fair value reserve RM '000	Cash flow hedge reserve RM '000	Regulatory reserve# RM '000	Exchange fluctuation reserve RM '000	Retained profits RM '000	Treasury shares for ESOS RM '000	Total shareholders' equity RM '000	Non-controlling interests RM '000	Total equity RM '000
At 1 July 2014	1,052,768	117,229	2,454,525	134,848	7,806	287,257	-	10,266	(12,347)	7,447,552	(25,422)	11,474,482	5,530,249	17,004,731
<u>Comprehensive income</u>														
Net profit for the financial period	-	-	-	-	-	-	-	-	-	392,155	-	392,155	199,719	591,874
Currency translation differences	-	-	-	-	-	-	-	-	11,627	-	-	11,627	4,900	16,527
Share of other comprehensive loss of associates	-	-	-	-	-	(2,623)	-	-	-	-	-	(2,623)	(351)	(2,974)
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	(120,333)	-	-	-	-	-	(120,333)	(2,802)	(123,135)
Total comprehensive income	-	-	-	-	-	(122,956)	-	-	11,627	392,155	-	280,826	201,466	482,292
<u>Transaction with owners</u>														
Transfer to statutory reserves	-	-	114,115	-	-	-	-	-	-	(114,115)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	44,065	-	44,065	(2,605)	41,460
Non-controlling interests share of subsidiaries' treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	30,201	30,201
Option charge arising from ESOS	-	-	-	-	604	-	-	-	-	-	-	604	-	604
Exercise of ESOS	-	-	-	-	(1,165)	-	-	-	-	2,004	239	1,078	-	1,078
Transfer to capital redemption reserve	-	-	-	19	-	-	-	-	-	(19)	-	-	-	-
At 30 September 2014	1,052,768	117,229	2,568,640	134,867	7,245	164,301	-	10,266	(720)	7,771,642	(25,183)	11,801,055	5,759,311	17,560,366

Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM443,753,000 (30 September 2014:RM Nil) and the banking subsidiary company in Vietnam with the State Bank of Vietnam of RM11,245,000 (30 September 2014: RM10,266,000).

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

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

<u>THE COMPANY</u>	Share capital RM '000	Share premium RM '000	Other capital reserve RM '000	Share options reserve RM '000	Retained profits RM '000	Treasury shares for ESOS RM '000	Total equity RM '000
At 1 July 2015	1,052,768	117,229	254,991	-	12,742,372	(2)	14,167,358
Net loss for the financial period	-	-	-	-	(9,273)	-	(9,273)
At 30 September 2015	1,052,768	117,229	254,991	-	12,733,099	(2)	14,158,085

	Share capital RM '000	Share premium RM '000	Other capital reserve RM '000	Share options reserve RM '000	Retained profits RM '000	Treasury shares for ESOS RM '000	Total equity RM '000
At 1 July 2014	1,052,768	117,229	254,991	4,638	12,332,614	(15,181)	13,747,059
Net profit for the financial period	-	-	-	-	84,065	-	84,065
Option charge arising from ESOS	-	-	-	516	-	-	516
At 30 September 2014	1,052,768	117,229	254,991	5,154	12,416,679	(15,181)	13,831,640

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 FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

	The Group		The Company	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
	RM '000	RM '000	RM '000	RM '000
Profit before taxation	696,979	746,993	(9,469)	84,307
Adjustment for non-cash items	166,214	25,139	8,574	(87,994)
Operating profit before working capital changes	863,193	772,132	(895)	(3,687)
Income tax (paid)/refunded	(135,671)	(140,216)	4,313	-
Interest received	191	1,742	191	1,742
Changes in working capital				
Net changes in operating assets	827,344	(10,035,297)	(409,591)	(137,280)
Net changes in operating liabilities	190,683	7,242,814	1,486	3,512
Net cash generated/(used in) from operating activities	1,745,740	(2,158,825)	(404,497)	(135,713)
Cash flow from investing activities				
Net purchases of financial investments available-for-sale	(3,753,731)	(445,991)	-	-
Net purchases of financial investments held-to-maturity	(299,260)	26,684	-	-
Interest received on financial investments available-for-sale and held-to-maturity	212,009	171,937	-	-
Purchase of intangible assets	(9,612)	(13,432)	-	(2)
Purchase of property and equipment	(19,577)	(36,276)	-	(640)
Proceeds from disposal of property and equipment	256	2,188	-	-
Dividends received from financial assets held-for-trading and financial investments available-for-sale	39,573	57,142	639	170
Dividends received from subsidiaries	-	-	-	102,600
Dividends received from associated companies	-	29,983	-	-
Dividends received from joint venture	3,755	-	-	-
Subscription of shares in joint venture	-	(1,638)	-	(1,638)
Subscription of ordinary shares in subsidiary company	-	-	-	(9,714)
Proceeds from redemption of redeemable preference shares	-	-	-	7,374
Net cash (used in)/generated from investing activities	(3,826,587)	(209,403)	639	98,150
Cash flow from financing activities				
Purchase of treasury shares	(9,090)	-	-	-
Cash received from ESOS exercised	-	1,078	-	-
Drawdown of revolving credit	60,000	100,000	60,000	100,000
Drawdown/(redemption) of medium term notes and commercial paper	375,000	(2,295,000)	375,000	(295,000)
(Repayment)/drawdown of term loans	(25,000)	240,000	(25,000)	240,000
Interest paid on subordinated obligations	(9,056)	(22,926)	-	-
Interest paid on borrowings	(26,353)	(111,941)	(4,748)	(7,606)
Interest paid on innovative Tier 1 capital securities	(17,988)	(17,305)	-	-
Net cash used in financing activities	347,513	(2,106,094)	405,252	37,394
Changes in cash and cash equivalents	(1,733,334)	(4,474,322)	1,395	(169)
Effect of change in foreign exchange rate	515,026	62,109	-	-
Cash and cash equivalents as at 1 July	8,463,194	17,084,360	8,345	6,882
Cash and cash equivalents as at 30 September	7,244,886	12,672,147	9,740	6,713
Analysis of cash and cash equivalent				
Cash and short terms funds	7,244,886	12,681,447	9,740	16,013
Less: restricted cash	-	(9,300)	-	(9,300)
	7,244,886	12,672,147	9,740	6,713

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 FINANCIAL GROUP BERHAD (“HLFG” or “the Company”)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2015**

1. Basis of preparation

The unaudited condensed financial statements for the financial period ended 30 September 2015 have been prepared under the historical cost convention, as modified by the revaluation of financial investments available-for-sale and financial assets/financial liabilities at fair value through profit or loss (including derivative financial instruments).

The 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 Bursa Malaysia Securities Berhad’s Listing Requirements and should be read in conjunction with the audited annual financial statements for the Group and the Company 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 Company since the financial year ended 30 June 2015.

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

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 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 the BNM 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 have complied to the new requirements to classify loans/financing as rescheduled and restructured. The Group 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).

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

2. Status of matters giving rise to the auditor's qualified report in the preceding annual financial statement 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.

3. Seasonality or cyclical nature of operations

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

4. Exceptional items or unusual events affecting financial statements

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

5. Variation from financial estimates reported in preceding financial year

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

6. Issuance and repayment of debt and equity securities

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares in HLFG for the financial period ended 30 September 2015 other than as mentioned below.

a) Purchase of shares pursuant to Executive Share Option Scheme ("ESOS")

As at 30 September 2015, there is no outstanding options to be vested and exercised. All the remaining outstanding options were vested and exercised during the financial year ended 30 June 2015.

The balance of the trust shares held by the Trustee as at 30 September 2015 is 408 shares at an average price of RM5.06 per share and the total consideration paid, including transaction costs was RM2,000.

During the financial period ended 30 September 2015, the insurance subsidiary companies purchased 626,800 units of shares for RM9,090,416 and no shares were exercised pursuant to the Company's ESOS.

The remaining number of shares held by the appointed trustee for the insurance subsidiary companies as at 30 September 2015 was 2,281,492 units at an average price of RM5.56 per share with total consideration paid, including transaction costs was RM21,786,000 which have been classified as treasury shares for ESOS at the Group level.

b) Repayment of debt and equity securities

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

7. Dividends paid

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

8. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity.

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

Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

No analysis by geographical segments is presented as the Group's operations are substantially carried out in Malaysia.

Business segments

The Group comprises the following main business segments:

Commercial banking	Commercial banking business
Investment banking and asset management	Investment banking, futures and stockbroking, fund and unit trust management
Insurance	Life and general insurance business
Other operations	Investment holding and provision of management services

8. Segmental reporting (continued)

The Group 30 September 2015	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue for the period ended						
External revenue	1,017,475	37,145	99,146	(7,144)	-	1,146,622
Intersegment revenue	5,761	227	1,500	2,937	(10,425)	-
	<u>1,023,236</u>	<u>37,372</u>	<u>100,646</u>	<u>(4,207)</u>	<u>(10,425)</u>	<u>1,146,622</u>
Results for the period ended						
Segment results	539,367	12,860	56,975	(9,481)	(4,825)	594,896
Share of results of associated companies						97,194
Share of results of joint ventures						4,889
Profit before taxation						<u>696,979</u>
Taxation						(115,300)
Net profit for the financial period						<u>581,679</u>
Non-controlling interests						(194,797)
Profit attributable to owners of the parent						<u><u>386,882</u></u>
Other information						
Segment assets	187,151,057	3,298,532	14,647,530	15,607,590	(14,948,321)	<u>205,756,388</u>
Segment liabilities	169,399,785	2,633,398	12,226,398	1,288,734	(257,077)	<u><u>185,291,238</u></u>

8. Segmental reporting (continued)

The Group 30 September 2014	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue for the period ended						
External revenue	1,011,267	42,986	41,593	(12,337)	-	1,083,509
Intersegment revenue	3,291	274	1,611	106,026	(111,202)	-
	<u>1,014,558</u>	<u>43,260</u>	<u>43,204</u>	<u>93,689</u>	<u>(111,202)</u>	<u>1,083,509</u>
Results for the period ended						
Segment results	605,124	18,986	28,529	86,436	(102,600)	636,475
Share of results of associated companies						107,336
Share of results of joint ventures						3,182
Profit before taxation						<u>746,993</u>
Taxation						<u>(155,119)</u>
Net profit for the financial period						591,874
Non-controlling interests						<u>(199,719)</u>
Profit attributable to owners of the parent						<u><u>392,155</u></u>
Other information						
Segment assets	178,319,260	4,190,078	13,315,076	15,508,569	(14,853,240)	<u>196,479,743</u>
Segment liabilities	163,169,949	3,564,380	10,980,143	1,468,302	(263,397)	<u>178,919,377</u>

9. Financial assets held-for-trading

	The Group	
	As at 30/09/2015 RM '000	As at 30/06/2015 RM '000
Money market instruments:		
Government treasury bills	200,517	78,632
Malaysian Government securities	946,671	120,509
Negotiable instruments of deposit	6,563,676	5,485,337
Bankers' acceptances and Islamic accepted bills	103,184	457,179
Bank Negara Malaysia bills	-	383,325
Malaysian Government investment certificates	255,151	609,725
Cagamas bonds	162,348	36,450
Khazanah bonds	17,558	-
Other government securities	42,600	33,035
	<u>8,291,705</u>	<u>7,204,192</u>
Quoted securities:		
Shares in Malaysia	475,288	515,312
Shares outside Malaysia	68,864	92,789
Foreign currency bonds in Malaysia	335,684	375,822
Unit trust investments	608,209	189,412
Warrants quoted in Malaysia	459	129
	<u>1,488,504</u>	<u>1,173,464</u>
Unquoted securities:		
Foreign currency bonds in Malaysia	90,890	-
Foreign currency bonds outside Malaysia	-	65,864
Private and Islamic debts securities	806,533	795,284
	<u>897,423</u>	<u>861,148</u>
Total financial assets held-for-trading	<u>10,677,632</u>	<u>9,238,804</u>

	The Company	
	As at 30/09/2015 RM '000	As at 30/06/2015 RM '000
Quoted securities:		
Unit trust investments	408,500	-

10. Financial investments available-for-sale

	The Group	
	As at 30/09/2015 RM '000	As at 30/06/2015 RM '000
Money market instruments:		
Government treasury bills	123,584	168,553
Malaysian Government securities	1,162,088	486,964
Malaysian Government investment certificates	3,428,664	3,541,575
Khazanah bonds	346,967	345,140
Cagamas bonds	908,209	905,342
Other government securities	1,644,126	1,580,814
Sukuk	109,619	-
	<u>7,723,257</u>	<u>7,028,388</u>
Quoted securities:		
Shares in Malaysia	1,156,413	1,246,807
Shares outside Malaysia	180,989	239,995
Foreign currency bonds in Malaysia	4,908,069	4,380,452
Foreign currency bonds outside Malaysia	2,031,819	1,452,826
Warrants in Malaysia	563	1,016
Unit trust investments	4,681,515	3,591,062
	<u>12,959,368</u>	<u>10,912,158</u>
Unquoted securities :		
Shares in Malaysia	393,145	393,145
Shares outside Malaysia	4,802	4,134
Foreign currency bonds in Malaysia	377,548	358,364
Foreign currency bonds outside Malaysia	446,119	419,344
Investment-linked funds	300	300
Private debt securities	10,915,342	10,507,224
	<u>12,137,256</u>	<u>11,682,511</u>
Total financial investments available-for-sale	<u>32,819,881</u>	<u>29,623,057</u>

11. Financial investments held-to-maturity

	The Group	
	As at 30/09/2015 RM '000	As at 30/06/2015 RM '000
Money market instruments:		
Malaysian Government securities	3,682,069	3,003,596
Malaysian Government investment certificates	6,217,054	6,549,704
Negotiable instruments of deposit	1,818	2,338
Cagamas bonds	30,491	30,454
Other Government securities	315,489	335,159
	<u>10,246,921</u>	<u>9,921,251</u>
Unquoted securities:		
Loan stocks	49	49
Private and Islamic debt securities	672,974	717,665
Foreign currency bonds in Malaysia	115,827	98,029
Foreign currency bonds outside Malaysia	150,358	150,358
Unquoted bonds	486	486
Investment in preference shares	54,500	54,000
	<u>994,194</u>	<u>1,020,587</u>
Total financial investments held-to-maturity	<u>11,241,115</u>	<u>10,941,838</u>

12. Loans, advances and financing

	The Group	
	As at 30/09/2015 RM '000	As at 30/06/2015 RM '000
Overdrafts	4,082,640	4,005,025
Term loans:		
- Housing and shop loans/financing	55,703,405	53,828,770
- Syndicated term loan/financing	9,494,549	9,181,713
- Hire purchase receivables	18,323,338	18,099,246
- Other term loans/financing	9,038,607	8,676,463
Credit/charge card receivables	3,816,429	3,889,314
Bills receivables	1,226,554	1,166,833
Trust receipts	334,723	322,780
Claims on customers under acceptance credits	7,101,401	7,369,680
Block discounting	14	14
Revolving credits	6,849,978	6,549,079
Policy and premium loans	647,072	661,576
Staff loans/financing	163,921	167,557
Other loans/financing	514,062	488,802
Gross loans, advances and financing	117,296,693	114,406,852
Unamortised fair value changes arising from terminated fair value hedges	(1,870)	(2,188)
Allowance for impaired loans, advances and financing:		
- collective assessment allowance	(951,704)	(969,925)
- individual assessment allowance	(316,265)	(323,071)
Total net loans, advances and financing	116,026,854	113,111,668

(a) By type of customer

	The Group	
	As at 30/09/2015 RM '000	As at 30/06/2015 RM '000
Domestic non-bank financial institutions	603,209	638,549
Domestic business enterprises		
- small and medium enterprises	17,885,607	17,816,923
- others	18,803,458	18,531,751
Government and statutory bodies	26,918	24,448
Individuals	73,411,406	71,743,193
Other domestic entities	195,028	171,386
Foreign entities	6,371,067	5,480,602
Gross loans, advances and financing	117,296,693	114,406,852

(b) By interest/profit rate sensitivity

	The Group	
	As at 30/09/2015 RM '000	As at 30/06/2015 RM '000
Fixed rate		
- Housing and shop loans/financing	4,895,118	3,575,505
- Hire purchase receivables	17,477,932	17,537,151
- Other fixed rate loan/financing	8,440,780	8,041,365
Variable rate		
- Base lending rate plus	69,954,527	68,912,319
- Cost plus	16,173,148	16,021,109
- Other variables rates	355,188	319,403
Gross loans, advances and financing	117,296,693	114,406,852

12. Loans, advances and financing (continued)

(c) By economic purpose

	The Group	
	As at 30/09/2015 RM '000	As at 30/06/2015 RM '000
Purchase of securities	857,688	927,652
Purchase of transport vehicles	18,202,983	18,020,608
Purchase of landed properties		
- residential	47,044,598	45,307,229
- non-residential	14,550,386	14,231,669
Purchase of fixed assets (excluding landed properties)	448,593	462,979
Personal use	3,714,675	3,523,573
Credit card	3,816,429	3,889,314
Purchase of consumer durables	406	418
Construction	1,276,062	1,257,882
Mergers and acquisition	252,946	258,988
Working capital	24,114,040	23,536,346
Other purpose	3,017,887	2,990,194
Gross loans, advances and financing	<u>117,296,693</u>	<u>114,406,852</u>

(d) By geographical distribution

	The Group	
	As at 30/09/2015 RM '000	As at 30/06/2015 RM '000
Malaysia	112,292,079	110,271,571
Singapore	4,259,355	3,529,821
Hong Kong	33,949	20,063
Vietnam	355,188	319,403
Cambodia	356,122	265,994
Gross loans, advances and financing	<u>117,296,693</u>	<u>114,406,852</u>

(e) By residual contractual maturity

	The Group	
	As at 30/09/2015 RM '000	As at 30/06/2015 RM '000
Within one year	29,890,101	28,841,122
One year to less than three years	7,662,405	7,851,837
Three years to less than five years	10,373,481	10,277,792
Five years and more	69,370,706	67,436,101
Gross loans, advances and financing	<u>117,296,693</u>	<u>114,406,852</u>

12. Loans, advances and financing (continued)

(f) Impaired loans, advances and financing by economic purpose

	The Group	
	As at	As at
	30/09/2015	30/06/2015
	RM '000	RM '000
Purchase of securities	221	235
Purchase of transport vehicles	183,617	184,180
Purchase of landed properties		
- residential	242,526	207,744
- non-residential	53,581	46,190
Purchase of fixed assets (excluding landed properties)	29,301	34,188
Personal use	35,926	34,714
Credit card	46,172	42,907
Purchase of consumer durables	-	4
Construction	4,020	4,114
Working capital	345,850	365,444
Other purpose	26,427	28,863
Gross impaired loans, advances and financing	967,641	948,583

(g) Impaired loans, advances and financing by geographical distribution

	The Group	
	As at	As at
	30/09/2015	30/06/2015
	RM '000	RM '000
Malaysia	953,441	935,858
Vietnam	14,200	12,725
Gross impaired loans, advances and financing	967,641	948,583

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

	The Group	
	As at	As at
	30/09/2015	30/06/2015
	RM '000	RM '000
As at beginning of the financial period	948,583	1,232,588
Impaired during the financial period	408,444	1,525,362
Performing during the financial period	(198,662)	(792,443)
Amount written back in respect of recoveries	(91,689)	(480,823)
Amount written off	(100,802)	(541,798)
Exchange differences	1,767	5,697
As at end of the financial period	967,641	948,583
Gross impaired loan as a % of gross loans, advances and financing	0.8%	0.8%

12. Loans, advances and financing (continued)

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

	The Group	
	As at 30/09/2015 RM '000	As at 30/06/2015 RM '000
<u>Collective assessment allowance</u>		
As at beginning of the financial period	969,925	1,077,911
Net allowance made during the period	75,217	213,042
Amount transferred to individual assessment allowance	-	(94)
Amount written off	(91,684)	(310,003)
Unwinding income	(2,900)	(12,129)
Exchange differences	1,146	1,198
As at end of the financial period	951,704	969,925
Collective assessment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing less individual impairment allowance	1.2%	1.2%
<u>Individual assessment allowance</u>		
As at beginning of the financial period	323,071	511,647
Net allowance made during the period	8,925	80,769
Amount transferred from collective assessment allowance	-	94
Amount transfer to allowance for impairment losses on securities	-	(5,274)
Amount written back in respect of recoveries	(14,355)	(130,671)
Amount written off	(1,109)	(132,862)
Unwinding income	(938)	(5,360)
Exchange differences	671	4,728
As at end of the financial period	316,265	323,071

13. Other receivables

	The Group	
	As at 30/09/2015 RM '000	As at 30/06/2015 RM '000
Investment properties	1,848	1,848
Foreclosed properties	939	1,023
Sundry debtors and other prepayments	267,363	259,729
Treasury related receivable	123,793	429,244
Fee income receivable	7,211	7,123
Collateral pledged for derivative transactions	1,328,310	518,448
Other receivables	211,659	200,266
	1,941,123	1,417,681
	The Company	
	As at 30/09/2015 RM '000	As at 30/06/2015 RM '000
Amount due from subsidiary companies	135	179
Sundry debtors and other prepayments	281	381
Other receivables	228	228
	644	788

14. Deposits from customers

(a) By type of deposits

	The Group	
	As at	As at
	30/09/2015	30/06/2015
	RM '000	RM '000
Fixed deposits	82,874,913	78,620,058
Short-term placement	11,067,026	13,031,197
Negotiable instruments of deposits	13,794,551	12,879,060
	<u>107,736,490</u>	<u>104,530,315</u>
Demand deposits	19,770,081	20,030,167
Savings deposits	15,961,959	15,823,857
Others	781,946	640,821
Gross deposits from customers	<u>144,250,476</u>	<u>141,025,160</u>
Fair value changes arising from designation at fair value through profit or loss*	(144,783)	(69,695)
Total net deposits from customers	<u><u>144,105,693</u></u>	<u><u>140,955,465</u></u>

*Note:

The Group 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 are recorded at fair value. The structured deposits designated at fair value amounted to RM1,445 million (2015:RM1,542 million) for the Group.

(b) By type of customers

	The Group	
	As at	As at
	30/09/2015	30/06/2015
	RM '000	RM '000
Government and statutory bodies	3,219,871	3,573,261
Business enterprises	68,238,656	65,130,000
Individuals	70,707,669	70,246,132
Others	2,084,280	2,075,767
Gross deposits from customers	<u>144,250,476</u>	<u>141,025,160</u>

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

	The Group	
	As at	As at
	30/09/2015	30/06/2015
	RM '000	RM '000
Due within six months	84,318,145	79,319,553
More than six months to one year	19,110,545	21,105,271
More than one year to five years	3,577,800	3,375,491
More than five years	730,000	730,000
	<u>107,736,490</u>	<u>104,530,315</u>

15. Deposits and placements of banks and other financial institutions

	The Group	
	As at 30/09/2015 RM '000	As at 30/06/2015 RM '000
Licensed banks and investment banks	5,680,505	7,007,161
Licensed Islamic banks	-	49,004
Other financial institutions	1,505,053	1,887,457
	<u>7,185,558</u>	<u>8,943,622</u>
The maturity structure of deposits and placements of banks and other financial institutions:		
- One year or less (short term)	<u>7,185,558</u>	<u>8,943,622</u>

16. Payables and other liabilities

	The Group	
	As at 30/09/2015 RM '000	As at 30/06/2015 RM '000
Trade payables	1,680,527	1,607,852
Loan advance payment	2,371,887	2,268,769
Post employment benefits obligations - defined contribution plan	1,706	1,695
Treasury and cheque clearing	406,202	533,584
Treasury related payables	301,713	174,206
Sundry creditors and accruals	600,287	564,022
Provision for bonus and staff related expenses	179,704	144,710
Others	555,092	501,856
	<u>6,097,118</u>	<u>5,796,694</u>
	The Company	
	As at 30/09/2015 RM '000	As at 30/06/2015 RM '000
Sundry creditors and accruals	2,169	2,106
Provision for bonus and staff related expenses	11,070	8,956
Post employment benefits obligations - defined contribution plan	42	41
	<u>13,281</u>	<u>11,103</u>

17. Interest income

	The Group		The Group	
	Current quarter ended 30/09/2015 RM '000	Last year quarter ended 30/09/2014 RM '000	Current year to date 30/09/2015 RM '000	Last year to date 30/09/2014 RM '000
Loans, advances and financing	1,155,337	1,083,269	1,155,337	1,083,269
Money at call and deposit placements				
with financial institutions	36,193	105,783	36,193	105,783
Securities purchased under resale agreements	54,055	33,526	54,055	33,526
Financial assets held-for-trading	123,881	141,262	123,881	141,262
Financial investments available-for-sale	134,694	104,472	134,694	104,472
Financial investments held-to-maturity	77,315	67,465	77,315	67,465
Others	3,810	2,618	3,810	2,618
	<u>1,585,285</u>	<u>1,538,395</u>	<u>1,585,285</u>	<u>1,538,395</u>
Of which:				
Interest income earned on impaired loans, advances and financing	13,325	13,260	13,325	13,260

	The Company		The Company	
	Current quarter ended 30/09/2015 RM '000	Last year quarter ended 30/09/2014 RM '000	Current year to date 30/09/2015 RM '000	Last year to date 30/09/2014 RM '000
Money at call and deposit placements				
with financial institutions	191	622	191	622
Others	-	1,120	-	1,120
	<u>191</u>	<u>1,742</u>	<u>191</u>	<u>1,742</u>

18. Interest expense

	The Group		The Group	
	Current quarter ended 30/09/2015 RM '000	Last year quarter ended 30/09/2014 RM '000	Current year to date 30/09/2015 RM '000	Last year to date 30/09/2014 RM '000
Deposits and placements of banks and other financial institutions	15,452	20,937	15,452	20,937
Deposits from customers	727,720	636,239	727,720	636,239
Short term placements	71,711	51,064	71,711	51,064
Borrowings	33,031	58,294	33,031	58,294
Subordinated bonds	50,662	58,353	50,662	58,353
Non-innovative Tier 1 stapled securities	17,904	18,017	17,904	18,017
Innovative Tier 1 capital securities	8,019	7,306	8,019	7,306
Others	4,130	2,890	4,130	2,890
	<u>928,629</u>	<u>853,100</u>	<u>928,629</u>	<u>853,100</u>
	The Company		The Company	
	Current quarter ended 30/09/2015 RM '000	Last year quarter ended 30/09/2014 RM '000	Current year to date 30/09/2015 RM '000	Last year to date 30/09/2014 RM '000
Borrowings	9,536	14,053	9,536	14,053
Others	301	300	301	300
	<u>9,837</u>	<u>14,353</u>	<u>9,837</u>	<u>14,353</u>

19. Non-Interest Income

	The Group		The Group	
	Current quarter ended 30/09/2015 RM '000	Last year quarter ended 30/09/2014 RM '000	Current year to date 30/09/2015 RM '000	Last year to date 30/09/2014 RM '000
Net income from insurance business	90,040	31,840	90,040	31,840
Net brokerage and commissions from stockbroking business	21,200	16,165	21,200	16,165
Net unit trust and asset management income	4,516	3,899	4,516	3,899
Fee income:				
Commissions	34,956	39,439	34,956	39,439
Service charges and fees	9,988	11,396	9,988	11,396
Guarantee fees	3,566	5,526	3,566	5,526
Credit card related fees	57,477	55,419	57,477	55,419
Corporate advisory fees	1,223	3,133	1,223	3,133
Commitment fees	8,773	9,199	8,773	9,199
Fee on loans, advances and financing	12,373	14,979	12,373	14,979
Placement fees	33	2,878	33	2,878
Arranger fees	3,274	885	3,274	885
Other fee income	11,197	12,105	11,197	12,105
	<u>142,860</u>	<u>154,959</u>	<u>142,860</u>	<u>154,959</u>
Gain/(loss) arising from sale of financial assets:				
Net (loss)/gain from sale of financial assets held-for-trading	(5,960)	5,185	(5,960)	5,185
Net gain from sale of financial investments available-for-sale	6,643	25,524	6,643	25,524
Net gain from redemption of financial investments held-to-maturity	17	74	17	74
Net (loss)/gain from sale of derivatives financial instruments	(39,544)	(8,755)	(39,544)	(8,755)
	<u>(38,844)</u>	<u>22,028</u>	<u>(38,844)</u>	<u>22,028</u>
Gross dividend income from:				
Financial assets held-for-trading	1,539	498	1,539	498
Financial investments available-for-sale	38,034	56,644	38,034	56,644
	<u>39,573</u>	<u>57,142</u>	<u>39,573</u>	<u>57,142</u>
Net unrealised gain/(loss) on revaluation of:				
Financial assets held-for-trading	(11,748)	(39)	(11,748)	(39)
Derivatives financial instruments	27,578	12,277	27,578	12,277
	<u>15,830</u>	<u>12,238</u>	<u>15,830</u>	<u>12,238</u>
Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges	(251)	(1,476)	(251)	(1,476)
Other income:				
Foreign exchange gain/(loss)	97,898	(16,319)	97,898	(16,319)
Rental income	1,720	1,520	1,720	1,520
Gain on disposal of property and equipment (net)	12	1,281	12	1,281
Others	880	4,888	880	4,888
	<u>100,510</u>	<u>(8,630)</u>	<u>100,510</u>	<u>(8,630)</u>
Total non-interest income	<u>375,434</u>	<u>288,165</u>	<u>375,434</u>	<u>288,165</u>

19. Non-Interest Income (continued)

	The Company		The Company	
	Current quarter ended 30/09/2015 RM '000	Last year quarter ended 30/09/2014 RM '000	Current year to date 30/09/2015 RM '000	Last year to date 30/09/2014 RM '000
Fee income:				
Management fees	2,927	2,831	2,927	2,831
Loss arising from sale of financial assets:				
Net loss from sale of financial assets held-for-trading	(2)	-	(2)	-
Net (loss)/gain from sale of derivatives financial instruments	-	159	-	159
Gross dividend income from:				
Financial assets held-for-trading	639	170	639	170
Subsidiary companies	-	102,600	-	102,600
Net unrealised gain/(loss) on revaluation of:				
Financial assets held-for-trading	(78)	(54)	(78)	(54)
Derivatives financial instruments	1,946	(1,595)	1,946	(1,595)
Other income	6	10	6	10
Total non-interest income	5,438	104,121	5,438	104,121

20. Overhead expenses

	The Group		The Group	
	Current quarter ended 30/09/2015 RM '000	Last year quarter ended 30/09/2014 RM '000	Current year to date 30/09/2015 RM '000	Last year to date 30/09/2014 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	261,031	244,548	261,031	244,548
- Medical expenses	7,297	5,633	7,297	5,633
- Training and convention expenses	7,545	4,545	7,545	4,545
- Staff welfare	2,039	2,035	2,039	2,035
- Others	10,462	7,225	10,462	7,225
	288,374	263,986	288,374	263,986
<u>Establishment costs</u>				
- Depreciation of property and equipments	22,209	19,458	22,209	19,458
- Amortisation of intangible assets	18,231	17,379	18,231	17,379
- Rental of premises	24,052	21,415	24,052	21,415
- Information technology expenses	30,439	29,501	30,439	29,501
- Security services	6,809	6,390	6,809	6,390
- Electricity, water and sewerage	6,147	6,814	6,147	6,814
- Hire of plant and machinery	3,699	3,251	3,699	3,251
- Others	5,300	6,457	5,300	6,457
	116,886	110,665	116,886	110,665
<u>Marketing expenses</u>				
- Advertisement and publicity	5,974	6,073	5,974	6,073
- Credit card related fees	28,996	25,705	28,996	25,705
- Others	5,211	4,876	5,211	4,876
	40,181	36,654	40,181	36,654
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,355	3,344	3,355	3,344
- Stationery and printing expenses	3,999	4,609	3,999	4,609
- Professional fees	14,875	18,628	14,875	18,628
- Insurance fees	8,899	9,827	8,899	9,827
- Credit card fees	9,147	7,136	9,147	7,136
- Travelling and transport expenses	1,036	1,457	1,036	1,457
- Registration and license fees	2,504	1,304	2,504	1,304
- Brokerage and commission	1,486	1,926	1,486	1,926
- Stamp, postage and courier	6,121	5,103	6,121	5,103
- Others	8,739	2,114	8,739	2,114
	60,161	55,448	60,161	55,448
	505,602	466,753	505,602	466,753

20. Overhead expenses (continued)

	The Company		The Company	
	Current quarter ended 30/09/2015 RM '000	Last year quarter ended 30/09/2014 RM '000	Current year to date 30/09/2015 RM '000	Last year to date 30/09/2014 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	3,492	5,156	3,492	5,156
- Medical expenses	24	26	24	26
- Training and convention expenses	1	9	1	9
- Staff welfare	79	68	79	68
- Others	155	653	155	653
	<u>3,751</u>	<u>5,912</u>	<u>3,751</u>	<u>5,912</u>
<u>Establishment costs</u>				
- Depreciation of property and equipments	163	142	163	142
- Amortisation of intangible assets	28	17	28	17
- Rental of premises	165	188	165	188
- Electricity, water and sewerage	9	10	9	10
- Hire of plant and machinery	8	9	8	9
- Others	78	44	78	44
	<u>451</u>	<u>410</u>	<u>451</u>	<u>410</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	7	4	7	4
- Stationery and printing expenses	6	13	6	13
- Professional fees	416	274	416	274
- Management fees	563	555	563	555
- Travelling and transport expenses	13	8	13	8
- Others	54	27	54	27
	<u>1,059</u>	<u>881</u>	<u>1,059</u>	<u>881</u>
	<u>5,261</u>	<u>7,203</u>	<u>5,261</u>	<u>7,203</u>

21. (Writeback of)/allowance for impairment losses on loans, advances and financing and other losses

	The Group		The Group	
	Current quarter ended 30/09/2015 RM '000	Last year quarter ended 30/09/2014 RM '000	Current year to date 30/09/2015 RM '000	Last year to date 30/09/2014 RM '000
(Writeback of)/allowance for impairment losses on loans, advances and financing:				
- Individual assessment allowance	(5,419)	(9,456)	(5,419)	(9,456)
- Collective assessment allowance	75,217	55,538	75,217	55,538
(Writeback of)/allowance for impairment losses on clients' and brokers' balances:				
- Individual assessment allowance	(1)	21	(1)	21
- Collective assessment allowance	4	8	4	8
Impaired loans and financing:				
- written off	3,269	7,823	3,269	7,823
- recovered	(49,097)	(68,848)	(49,097)	(68,848)
	<u>23,973</u>	<u>(14,914)</u>	<u>23,973</u>	<u>(14,914)</u>

22. Capital adequacy

The banking subsidiaries' regulatory capital is governed by BNM Capital Adequacy Framework guidelines. With effect from 1 January 2013, the capital adequacy ratios of the banking subsidiaries 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 banking subsidiaries have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk computation.

Basel III

(a) The capital adequacy ratios of the banking subsidiaries are as follows:

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/09/2015	30/06/2015	30/09/2015	30/06/2015	30/09/2015	30/06/2015
Before deducting proposed dividends						
CET I capital ratio	10.923%	11.147%	9.411%	9.861%	22.423%	23.683%
Tier I capital ratio	12.029%	12.297%	10.678%	11.179%	22.423%	23.683%
Total capital ratio	<u>14.097%</u>	<u>14.715%</u>	<u>13.594%</u>	<u>14.226%</u>	<u>25.927%</u>	<u>27.355%</u>
After deducting proposed dividends						
CET I capital ratio	10.541%	10.750%	8.973%	9.406%	19.698%	20.832%
Tier I capital ratio	11.647%	11.900%	10.241%	10.724%	19.698%	20.832%
Total capital ratio	<u>13.716%</u>	<u>14.318%</u>	<u>13.157%</u>	<u>13.771%</u>	<u>23.201%</u>	<u>24.504%</u>

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/09/2015	30/06/2015	30/09/2015	30/06/2015	30/09/2015	30/06/2015
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
CET I capital						
Paid up share capital	1,879,909	1,879,909	1,879,909	1,879,909	165,000	165,000
Share premium	2,872,183	2,872,183	2,872,183	2,872,183	87,950	87,950
Retained profit	7,661,744	7,819,514	5,506,846	5,653,204	22,742	22,742
Other reserves	4,969,591	4,363,914	3,299,439	3,219,396	194,295	197,667
Less: Treasury shares	(662,745)	(648,588)	(662,745)	(648,588)	-	-
Less: Other intangible assets	(309,569)	(318,107)	(292,756)	(302,801)	-	-
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(32,530)	(32,535)
Less: Deferred tax assets	-	-	-	-	(95,002)	(95,002)
Less: Investment in subsidiary companies/ associated company/joint venture	(1,446,024)	(1,242,626)	(955,378)	(952,672)	(154)	(154)
Total CET I capital	<u>13,133,777</u>	<u>12,894,887</u>	<u>9,875,951</u>	<u>9,949,084</u>	<u>342,301</u>	<u>345,668</u>
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	<u>1,330,000</u>	<u>1,330,000</u>	<u>1,330,000</u>	<u>1,330,000</u>	<u>-</u>	<u>-</u>
Total Tier I capital	<u>14,463,777</u>	<u>14,224,887</u>	<u>11,205,951</u>	<u>11,279,084</u>	<u>342,301</u>	<u>345,668</u>

22. Capital adequacy (continued)

Basel III

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/09/2015	30/06/2015	30/09/2015	30/06/2015	30/09/2015	30/06/2015
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Tier II Capital						
Collective assessment allowance ^ and regulatory reserves #	1,157,771	1,109,877	994,829	951,123	3,718	3,825
Subordinated obligations	3,498,822	3,552,000	3,498,822	3,552,000	50,000	50,000
Tier II capital before regulatory adjustments	4,656,593	4,661,877	4,493,651	4,503,123	53,718	53,825
Less: Regulatory adjustments						
Investment in subsidiary companies	-	-	(819,126)	(815,066)	(230)	(230)
Investment in associated company	(2,080,567)	(1,786,666)	(567,915)	(567,915)	-	-
Investment in joint venture	(88,469)	(77,274)	(46,027)	(46,027)	-	-
Total Tier II capital	2,487,557	2,797,937	3,060,583	3,074,115	53,488	53,595
Total capital	16,951,334	17,022,824	14,266,534	14,353,199	395,789	399,263

^ 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 Hong Leong Bank Group of RM440,823,000 (2015: RM388,112,000), Hong Leong Bank Berhad of RM386,689,000 (2015: RM334,138,000) and Hong Leong Investment Bank Berhad of RM2,930,000 (2015: RM3,031,000) respectively.

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/09/2015	30/06/2015	30/09/2015	30/06/2015	30/09/2015	30/06/2015
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit risk	108,769,801	105,009,787	94,187,094	91,202,163	757,175	678,033
Market risk	3,919,421	3,052,311	4,108,444	3,065,215	453,942	483,713
Operational risk	7,554,581	7,620,076	6,649,308	6,627,632	315,462	297,840
Total RWA	120,243,803	115,682,174	104,944,846	100,895,010	1,526,579	1,459,586

(d) The capital adequacy ratios of Hong Leong Bank Group's subsidiary company are as follows:

	Hong Leong Islamic Bank	
	30/09/2015	30/06/2015
Before deducting proposed dividends		
CET I capital ratio	10.844%	11.323%
Tier I capital ratio	10.844%	11.323%
Total capital ratio	14.645%	15.240%
After deducting proposed dividends		
CET I capital ratio	10.776%	11.253%
Tier I capital ratio	10.776%	11.253%
Total capital ratio	14.577%	15.170%

23. Events after Balance Sheet date

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

24. Changes in composition of the Group

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

- (a) Wing Trade Investments Limited, a wholly-owned subsidiary of HLF in British Virgin Islands, was dissolved on 24 July 2015.
- (b) Promitol Sdn Bhd, a wholly-owned subsidiary of HLB, was dissolved on 29 July 2015.
- (c) On 29 October 2015, Hong Leong Capital Berhad ("HLCB"), a subsidiary of HLF announced that the liquidator of ECS Jaya (1969) Sdn Bhd ("ECS Jaya"), a wholly-owned subsidiary of Hong Leong Investment Bank Berhad which in turn a wholly-owned subsidiary of HLCB, had convened the final meeting for ECS Jaya to conclude the member's voluntary winding-up of ECS Jaya. The Return by Liquidator Relating to Final Meeting of ECS Jaya was lodged on 29 October 2015 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, ECS Jaya will be dissolved.

25. Commitments and contingencies

- a. In the normal course of business, the Group 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 not secured against the assets of the Group.

The notional/principal amount of the commitments and contingencies constitute the following:

	The Group	
	30/09/2015	30/06/2015
	RM'000	RM'000
Direct credit substitutes	214,954	220,983
Certain transaction related contingent items	1,594,420	1,606,465
Short-term self liquidating trade related contingencies	752,277	755,587
Obligations under underwriting agreement	79,996	-
Irrevocable commitments to extend credit:		
- less than one year	18,660,527	18,158,775
- more than one year	18,028,278	17,262,934
Any commitments that are unconditionally cancellable at any time by the Group without prior notice		
- less than one year	667,457	722,877
Foreign exchange related contracts		
- less than one year	33,759,920	33,596,962
- one year to less than five years	5,221,178	4,409,157
- five years and above	1,110,653	819,693
Interest rate related contracts		
- less than one year	27,647,417	23,442,517
- one year to less than five years	43,273,696	46,063,835
- five years and above	2,588,651	2,654,631
Equity related contracts		
- less than one year	384,130	360,330
- one year to less than five years	235,489	111,437
Commodity related contracts		
- less than one year	4,508	1,471
- one year to less than five years	3,280	3,826
Unutilised credit card lines	7,493,066	7,426,036
Others		
- less than one year	1,850	1,781
- more than one year	2,239	2,719
Total	161,723,986	157,622,016

	The Company	
	30/09/2015	30/06/2015
	RM'000	RM'000
Forward foreign exchange	13,187	-
Interest rate swaps	450,000	775,000
	463,187	775,000

- b. Hong Leong Asset Management Bhd, a wholly-owned subsidiary company of Hong Leong Capital Berhad ("HLCB"), is the Manager of Hong Leong Consumer Products Sector Fund ("Funds"). HLCB provided a guarantee to Deutsche Trustee Malaysia Berhad, the trustee of the Funds, that if the funds fall below the minimum fund size of RM1 million, HLCB would invest cash, equivalent to the shortfall, into the relevant fund.

The size of the fund was above the minimum of RM1 million as at 30 September 2015 (30 June 2015: RM1 million).

26. 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.

27. 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.

Determination of fair value and fair value hierarchy

The Group and the Company 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 instrument 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.

27. Fair value of financial instruments (continued)

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 September 2015				
<i>Recurring fair value measurements</i>				
<u>Financial assets</u>				
Financial assets held-for-trading				
- Money market instruments	-	8,291,705	-	8,291,705
- Quoted securities	1,488,504	-	-	1,488,504
- Unquoted securities	-	897,423	-	897,423
Financial investments available-for-sale				
- Money market instruments	-	7,723,257	-	7,723,257
- Quoted securities	12,959,368	-	-	12,959,368
- Unquoted securities	-	11,739,309	397,947	12,137,256
Derivative financial instruments	42	2,388,617	9,867	2,398,526
	<u>14,447,914</u>	<u>31,040,311</u>	<u>407,814</u>	<u>45,896,039</u>
<u>Financial liabilities</u>				
Derivative financial instruments	<u>2,959</u>	<u>2,739,841</u>	<u>9,867</u>	<u>2,752,667</u>

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 June 2015				
<i>Recurring fair value measurements</i>				
<u>Financial assets</u>				
Financial assets held-for-trading				
- Money market instruments	-	7,204,192	-	7,204,192
- Quoted securities	1,173,464	-	-	1,173,464
- Unquoted securities	-	861,148	-	861,148
Financial investments available-for-sale				
- Money market instruments	-	7,028,388	-	7,028,388
- Quoted securities	10,912,158	-	-	10,912,158
- Unquoted securities	-	11,285,232	397,279	11,682,511
Derivative financial instruments	42	1,461,090	6,952	1,468,084
	<u>12,085,664</u>	<u>27,840,050</u>	<u>404,231</u>	<u>40,329,945</u>
<u>Financial liabilities</u>				
Derivative financial instruments	<u>2,959</u>	<u>1,359,454</u>	<u>6,952</u>	<u>1,369,365</u>

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

27. Fair value of financial instruments (continued)

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 Company

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
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30 September 2015

Recurring fair value measurements

Financial assets

Financial assets held-for-trading				
- Quoted securities	408,500	-	-	408,500
Derivative financial instruments	-	1,380	-	1,380
	<u>408,500</u>	<u>1,380</u>	<u>-</u>	<u>409,880</u>

Financial liabilities

Derivative financial instruments	-	467	-	467
	<u>-</u>	<u>467</u>	<u>-</u>	<u>467</u>

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
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30 June 2015

Recurring fair value measurements

Financial assets

Derivative financial instruments	-	126	-	126
	<u>-</u>	<u>126</u>	<u>-</u>	<u>126</u>

Financial liabilities

Derivative financial instruments	-	1,158	-	1,158
	<u>-</u>	<u>1,158</u>	<u>-</u>	<u>1,158</u>

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy:

	Financial Assets		Financial Liability
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
The Group			
30 September 2015			
As at beginning of the financial period		397,279	6,952
Total losses recognised in income statement		-	(3,325)
Net fair value changes recognised in other comprehensive income	668	-	-
Purchases	-	6,135	6,135
Disposal	-	105	105
As at end of the financial period	<u>397,947</u>	<u>9,867</u>	<u>9,867</u>
Total losses recognised in statement of income relating to assets/liability held on 30 September 2015	<u>-</u>	<u>(3,325)</u>	<u>(3,325)</u>
Total gain recognised in other comprehensive income relating to assets held on 30 September 2015	<u>668</u>	<u>-</u>	<u>-</u>

	Financial Assets		Financial Liability
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
The Group			
30 June 2015			
As at beginning of the financial period	369,708	-	-
Total losses recognised in income statement	-	(480)	(480)
Net fair value changes recognised in other comprehensive income	27,596	-	-
Purchases	-	7,432	7,432
Disposal	(25)	-	-
As at end of the financial period	<u>397,279</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>

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015**

1 Review of performance

Current quarter against previous corresponding quarter

HLFG Group recorded a profit before tax of RM697.0 million for the current quarter ended 30 September 2015 compared to RM747.0 million in the previous corresponding quarter, a decrease of RM50.0 million or 6.7%. The overall decrease was mainly due to lower contribution from its banking and investment banking division.

Hong Leong Bank Group recorded a lower profit before tax of RM624.8 million for the current quarter ended 30 September 2015 compared to RM703.9 million in the previous corresponding quarter, a decrease of RM79.1 million or 11.2%. The decrease in pre-tax profit was mainly due to higher allowance for impairment losses on loans, advances and financing amounting to RM38.9 million, higher operating expenses of RM33.6 million, lower share of profit from Bank of Chengdu and Sichuan Jincheng Consumer Finance Joint Venture of RM13.3 million and higher impairment losses of RM2.0 million. This is however mitigated by higher net income of RM8.7 million.

HLA Holdings Group registered a profit before tax of RM73.7 million for the current quarter ended 30 September 2015 compared to RM40.7 million in the previous corresponding quarter, an increase of RM33.0 million or 81.1%. The increase was due to higher net income of RM57.2 million and a higher share of profit from associated company amounting to RM4.8 million. This was offset by higher operating expenses by RM4.0 million and higher impairment loss of RM25.0 million.

Hong Leong Capital Group recorded a profit before tax of RM12.9 million for the current quarter ended 30 September 2015 compared to RM19.0 million in the previous corresponding quarter, a decrease of RM6.1 million or 32.1%. This was mainly due to lower contribution from its investment banking and stockbroking divisions.

2 Current quarter against preceding quarter

HLFG Group recorded a profit before taxation of RM697.0 million for the current quarter ended 30 September 2015 compared to RM780.4 million in the preceding quarter, a decrease of RM83.4 million or 10.7%. The decrease in profit before tax was mainly due to lower contribution across all operating divisions.

Hong Leong Bank Group recorded a profit before tax of RM624.8 million for the current quarter ended 30 September 2015 as compared to RM672.5 million in the preceding quarter, a decrease of RM47.7 million or 7.1%. The decrease was mainly due to lower net income of RM17.6 million, lower share of profit from Bank of Chengdu and Sichuan Jincheng Consumer Finance Joint Venture of RM30.8 million, higher impairment losses of RM7.1 million and higher allowance for impairment losses on loans, advances and financing of RM0.4 million. This is however mitigated by lower operating expenses of RM8.2 million.

HLA Holdings Group recorded a profit before tax of RM73.7 million for the current quarter ended 30 September 2015 compared to RM140.9 million in the preceding quarter, a decrease of RM67.2 million or 47.7%. The decrease was mainly due to lower net income of RM73.9 million and higher allowance for impairment losses of RM5.4 million. This is however mitigated by lower operating expenses of RM6.3 million and higher share of profit from associated company by RM5.8 million.

Hong Leong Capital Group recorded a profit before tax of RM12.9 million for the current quarter ended 30 September 2015 compared to RM27.5 million in the preceding quarter, a decrease of RM14.6 million or 53.1%. This was mainly due to lower contribution from its investment banking and stockbroking divisions.

3 Prospects for the current year

Barring unforeseen circumstances, the Group is expected to perform satisfactorily for the current financial year.

4 Variance of actual profit from forecasted profit

There was no profit forecast or profit guarantee issued by the Group.

5 Taxation

	The Group		The Group	
	Current quarter ended 30/09/2015 RM '000	Last year quarter ended 30/09/2014 RM '000	Current year to date 30/09/2015 RM '000	Last year to date 30/09/2014 RM '000
Malaysian income tax	180,729	160,659	180,729	160,659
Transfer from deferred tax	(65,271)	2,401	(65,271)	2,401
	<u>115,458</u>	<u>163,060</u>	<u>115,458</u>	<u>163,060</u>
Prior year over provision - Malaysia	(158)	(7,941)	(158)	(7,941)
	<u>115,300</u>	<u>155,119</u>	<u>115,300</u>	<u>155,119</u>

	The Company		The Company	
	Current quarter ended 30/09/2015 RM '000	Last year quarter ended 30/09/2014 RM '000	Current year to date 30/09/2015 RM '000	Last year to date 30/09/2014 RM '000
Malaysian income tax	164	1,071	164	1,071
Transfer from deferred tax	(360)	(829)	(360)	(829)
	<u>(196)</u>	<u>242</u>	<u>(196)</u>	<u>242</u>

The effective tax rate for the Group and the Company for the current financial period is lower than the statutory rate of taxation as certain income was not subjected to tax.

6 Sale of properties/unquoted investments

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.

7 Purchase/sale of quoted securities of the Group

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

8 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, HLB announced that it had on 3 July 2015 entered into a conditional share sale agreement ("SSA") with Hong Leong Real Estate Holdings Sdn Bhd ("HLREH") 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 ("Proposed Acquisition").

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

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

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

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

On 10 September 2015, HLIB announced on behalf on HLB that Bursa Securities had, through its letter dated 10 September 2015, resolved to approved the listing of and quotation for up to 399,800,000 HLB Rights Shares on the Main Market of Bursa Securities, and the shareholders of HLB had, at the extraordinary general meeting held on 29 September 2015, approved the HLB Rights Issue.

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

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

- (c) On 12 August 2015, HLIB announced on behalf of HLFGB that HLFGB proposed to undertake a renounceable rights issue of new ordinary shares of RM1.00 each in HLFGB ("HLFGB Rights Shares") to HLFGB shareholders to raise gross proceeds of up to RM1.1 billion ("HLFGB Rights Issue").

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

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

On 10 September 2015, HLIB announced on behalf on HLFGB that Bursa Securities had, through its letter dated 10 September 2015, resolved to approved the listing of and quotation for up to 150,000,000 HLFGB Rights Shares on the Main Market of Bursa Securities, and the shareholders of HLFGB had, at the extraordinary general meeting held on 29 September 2015, approved the HLFGB Rights Issue.

On 23 October 2015, HLIB announced on behalf on HLFGB that the issue price of HLFGB Rights Shares had been fixed at RM11.60 each at an entitlement basis of 9 HLFGB Rights Shares for every 100 existing HLFGB Shares held by HLFGB's entitled shareholders as at 5.00 p.m. on 6 November 2015.

Based on 1,052,767,789 HLFGB Shares in issue, the HLFGB Rights Issue will result in the issuance of 94,749,101 new HLFGB Shares, raising gross proceeds of approximately RM1,099.1 million.

9 Borrowings

		The Group	
		As at 30/09/2015 RM '000	As at 30/06/2015 RM '000
	Note		
Revolving credit	(i)	60,368	-
Commercial papers	(ii)	349,247	374,236
Medium term notes	(ii)	755,511	351,194
Term loans	(iii)	60,096	85,072
Senior bonds	(iv)	2,655,099	2,286,380
		<u>3,880,321</u>	<u>3,096,882</u>
Repayment of revolving credit			
- less than one year		60,368	-
Repayment of commercial papers			
- less than one year		349,247	374,236
Repayment of medium term notes			
- less than one year		-	-
- one to three years		505,301	100,331
- three years and above		250,210	250,863
Repayment of term loans			
- less than one year		60,096	85,072
Repayment of senior bonds			
- one to three years		2,655,099	2,286,380
		<u>3,880,321</u>	<u>3,096,882</u>
		The Company	
		As at 30/09/2015 RM '000	As at 30/06/2015 RM '000
	Note		
Revolving credit	(i)	60,368	-
Commercial papers	(ii)	349,247	374,236
Medium term notes	(ii)	806,044	401,358
Term loans	(iii)	60,096	85,072
		<u>1,275,755</u>	<u>860,666</u>
Repayment of revolving credit			
- less than one year		60,368	-
Repayment of commercial papers			
- less than one year		349,247	374,236
Repayment of medium term notes			
- one to three years		555,834	150,495
- three years and above		250,210	250,863
Repayment of term loans			
- less than one year		60,096	85,072
		<u>1,275,755</u>	<u>860,666</u>

9 Borrowings (continued)

- (i) The unsecured revolving credit facilities carried an interest rate of 3.70% (30 June 2015: ranging from 3.58% to 3.77%) per annum.

The revolving credit facilities are unsecured and repayable within 12 months.

- (ii) On 14 October 2011, the Company entered into RM1.8 billion CP/MTNs Programme comprising a seven (7) years Commercial Papers (CP) programmes and a twenty (20) years Medium Term Notes (MTNs) programmes which were constituted by a Trust Deed between the Company and Malaysian Trustees Berhad as trustee. The CPs are issued at a discount and the issue price is calculated in accordance with the Rules on Fully Automated System for Issuing/Tendering ("FAST") issued by Bank Negara Malaysia at the tenure of one (1), two (2), three (3), six (6), nine (9) or twelve (12) months as the Company may select. The CPs carry an interest rate ranging from 3.58% to 3.70% (30 June 2015: 3.58% to 3.82%).

The MTNs are issued at par and the issue price is calculated in accordance with the FAST Rules, at the tenure which shall be more than one (1) year as the Company may select. The MTNs carry interest rates ranging from 4.30% to 4.80% (30 June 2015: 4.05% to 4.50%) per annum.

The CP/MTNs are unsecured and the Company is required to maintain a debt to equity ratio for these facilities.

- (iii) The Company has the following term loans for the financial year:

- (a) an unsecured short-term loan facility of RM10 million maturing on 11 January 2017. The term loan with one month interest period bears an interest rate at 3.70% (30 June 2015: 3.66% to 3.93%) per annum.
- (b) an unsecured 1 year term loan of RM170 million maturing on 2 July 2016 of which the Company has drawdown RM50 million. The term loan with one month interest period bears an interest rate at 3.70% (30 June 2015: 3.66% to 3.93%) per annum

- (iv) The Group has the following senior bonds:

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

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

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

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

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

10 Subordinated obligations

	Note	The Group	
		As at	As at
		30/09/2015	30/06/2015
		RM '000	RM '000
RM700 million Tier 2 subordinated debt, at par	(a)	-	685,000
Add: Interest payable		-	12,673
		-	697,673
Less: Unamortised discounts		-	(2)
		-	697,671
RM1.0 billion Tier 2 subordinated debt, at par	(b)	1,000,000	1,000,000
Add: Interest payable		17,758	6,793
		1,017,758	1,006,793
Less: Unamortised discounts		(63)	(124)
		1,017,695	1,006,669
Subordinated medium term notes, at par	(c)	500,000	500,000
Add: Interest payable		6,051	65
		506,051	500,065
Less: Unamortised discounts		(210)	(350)
Add: Fair value adjustments on completion of business combination accounting		(98)	(147)
		505,743	499,568
RM1.5 billion Tier 2 subordinated debt, at par	(d)	1,500,000	1,500,000
Add: Interest payable		18,678	1,664
		1,518,678	1,501,664
Less: Unamortised discounts		(905)	(1,027)
		1,517,773	1,500,637
RM500 million Tier 2 subordinated debt, at par	(e)	500,000	500,000
Add: Interest payable		3,329	6,895
		503,329	506,895
Less: Unamortised discounts		(1,753)	(204)
		501,576	506,691
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(f)	400,000	400,000
Add: Interest payable		5,576	736
		405,576	400,736
Less: Unamortised discounts		(382)	(431)
		405,194	400,305
RM500 million Tier 2 subordinated notes, at par	(g)	500,000	500,000
Add: Interest payable		6,575	526
		506,575	500,526
Less: Unamortised discounts		(887)	(1,006)
		505,688	499,520
RM50 million Tier 2 subordinated notes, at par	(h)	50,000	50,000
Add: Interest payable		1,075	407
		51,075	50,407
Less: Unamortised discounts		(170)	(213)
		50,905	50,194
		4,504,574	5,161,255

10 Subordinated obligations (continued)

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

The Sub Debt constitute unsecured liabilities of HLB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLB 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 HLB.

On 10 August 2015, Hong Leong Bank ("HLB") had fully redeemed the RM700.0 million nominal value bearing coupon rate of 4.85% per annum.

- (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 HLB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLB 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 HLB.

- (c) On 27 February 2009, Promino Sdn Bhd ("Promino") (formerly known as EON Bank Berhad), a wholly-owned subsidiary of HLB, 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 HLB.

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

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

- (d) On 22 June 2012, HLB 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 HLB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLB 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 HLB.

10 Subordinated obligations (continued)

- (e) On 19 September 2012, HLA has created and issued up to RM500 million in nominal value of Subordinated Notes ("Sub-Notes") under a proposed Subordinated Notes Programme to raise funds for general working capital and/or business operations purpose.

On 20 March 2013, the Securities Commission approved the application subject to certain operational terms and conditions being fulfilled.

On 7 February 2013, the HLA completed its RM500 million Sub-Notes issuance. The Sub-Notes were issued for a period of 12 years on a 12 non-callable 7 basis with a coupon rate of 4.5% per annum.

The Sub-Notes are classified as tier 2 capital under Risk-Based Capital Framework for Insurers.

- (f) On 17 June 2014, Hong Leong Islamic Bank Berhad ("HLISB"), a wholly owned subsidiary of HLB, had completed the first issuance of RM400 million nominal value of Tier 2 Subordinated Sukuk Ijarah ("Subordinated Sukuk Ijarah") out of its RM1.0 billion Tier 2 Subordinated Sukuk Ijarah Programme. The RM400 million Subordinated Sukuk Ijarah will mature in 2024 and is callable at end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The Subordinated Sukuk Ijarah which bears profit rate of 4.80% per annum is payable semi-annually in arrears.

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

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

The Sub-Notes constitute unsecured liabilities of HLB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLB 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 HLB.

- (h) On 6 November 2014, Hong Leong Investment Bank Berhad ("HLIB"), a wholly owned subsidiary of Hong Leong Capital Berhad and also an indirect subsidiary of HCFG, had completed the first issuance of RM50 million nominal value of Tier 2 Subordinated Notes ("Sub-Notes") out of its RM1.0 billion Multi-Currency Sub-Notes Programme. The RM50 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 5.30% 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 HLIB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLIB 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 HLIB.

11 Non-innovative Tier 1 stapled securities

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

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 HLB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLB 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 HLB.

12 Innovative Tier 1 capital securities

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

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

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

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

13 Off-Balance Sheet financial instruments

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

The Group

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	24,972,650	1,231,493	(1,168,124)
(ii) 1 year to 3 years	126,384	16,919	-
(iii) More than 3 years	48,503	-	(30,747)
- Swaps			
(i) Less than 1 year	5,993,589	177,250	(182,805)
(ii) 1 year to 3 years	4,071,157	397,468	(493,660)
(iii) More than 3 years	2,085,787	134,089	(291,390)
- Options			
(i) Less than 1 year	2,793,681	59,280	(48,423)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	4,850,676	3,947	(127)
(ii) 1 year to 3 years	56,742	-	(216)
- Swaps			
(i) Less than 1 year	22,796,741	54,614	(34,601)
(ii) 1 year to 3 years	21,546,757	105,044	(138,429)
(iii) More than 3 years	24,258,848	204,208	(353,253)
Equity related contracts			
(i) Less than 1 year	384,130	5,369	(5,369)
(ii) 1 year to 3 years	226,989	4,497	(4,497)
(iii) More than 3 years	8,500	3,284	-
Commodity related contracts			
(i) Less than 1 year	4,508	606	(583)
(ii) 1 year to 3 years	3,280	458	(443)
Total	114,228,922	2,398,526	(2,752,667)

The Company

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Swaps			
(i) Less than 1 year	13,187	-	(152)
Interest rate related contracts			
- Swaps			
(i) 1 year to 3 years	450,000	1,380	(315)
Total	463,187	1,380	(467)

13 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	24,276,218	767,439	(424,069)
(ii) 1 year to 3 years	98,423	2,110	-
- Swaps			
(i) Less than 1 year	6,772,023	148,744	(142,880)
(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	2,548,721	32,004	(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	14,665,647	26,571	(25,506)
(ii) 1 year to 3 years	27,642,346	60,097	(78,996)
(iii) More than 3 years	21,027,288	146,684	(259,008)
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)
(iii) More than 3 years	8,500	3,097	-
Commodity related contracts			
(i) Less than 1 year	1,471	87	(81)
(ii) 1 year to 3 years	3,826	218	(203)
Total	111,463,859	1,468,084	(1,369,365)

The Company

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
- Swaps			
(i) 1 year to 3 years	775,000	126	(1,158)
Total	775,000	126	(1,158)

13 Off-Balance Sheet financial instruments (continued)

Market risk

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

Derivatives

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

Credit risk

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

Derivatives

The amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (ie, 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 (ie, 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.

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 balance sheet 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.

13 Off-Balance Sheet financial instruments (continued)

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 income statements 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 income statement. 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 income statement.

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 income statement. The deferred gains and losses are then released to the income statement in the periods when the hedged items affects the income statement.

14 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.

15 HLFG Dividends

A single-tier interim dividend of 13 sen per share has been proposed by the Company for the current quarter.

- (i) Amount per share: 13 sen per share
- (ii) Previous corresponding period: 13 sen per share
- (iii) Entitlement date: 1 December 2015
- (iv) Payment Date: 23 December 2015

16 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares (excluding treasury shares) in issue during the financial period.

	The Group		The Group	
	Current quarter ended 30/09/2015 RM '000	Last year quarter ended 30/09/2014 RM '000	Current year to date 30/09/2015 RM '000	Last year to date 30/09/2014 RM '000
Net profit attributable to equity holders of the Company	386,882	392,155	386,882	392,155
Weighted average number of ordinary shares ('000)	1,049,859	1,047,663	1,049,859	1,047,663
Basic earnings per share (Sen)	<u>36.9</u>	<u>37.4</u>	<u>36.9</u>	<u>37.4</u>

	The Company		The Company	
	Current quarter ended 30/09/2015 RM '000	Last year quarter ended 30/09/2014 RM '000	Current year to date 30/09/2015 RM '000	Last year to date 30/09/2014 RM '000
Net profit attributable to equity holders of the Company	(9,273)	84,065	(9,273)	84,065
Weighted average number of ordinary shares ('000)	1,052,767	1,049,767	1,052,767	1,049,767
Basic earnings per share (Sen)	<u>(0.9)</u>	<u>8.0</u>	<u>(0.9)</u>	<u>8.0</u>

(b) Fully diluted earnings per share

The Company 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 Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	The Group		The Group	
	Current quarter ended 30/09/2015 RM '000	Last year quarter ended 30/09/2014 RM '000	Current year to date 30/09/2015 RM '000	Last year to date 30/09/2014 RM '000
Net profit attributable to equity holders of the Company	386,882	392,155	386,882	392,155
Weighted average number of ordinary shares ('000)				
- during the period	1,049,859	1,047,663	1,049,859	1,047,663
- adjustment for ESOS	407	978	407	978
	<u>1,050,266</u>	<u>1,048,642</u>	<u>1,050,266</u>	<u>1,048,642</u>
Fully diluted earnings per share (Sen)	<u>36.8</u>	<u>37.4</u>	<u>36.8</u>	<u>37.4</u>

	The Company		The Company	
	Current quarter ended 30/09/2015 RM '000	Last year quarter ended 30/09/2014 RM '000	Current year to date 30/09/2015 RM '000	Last year to date 30/09/2014 RM '000
Net profit attributable to equity holders of the Company	(9,273)	84,065	(9,273)	84,065
Weighted average number of ordinary shares ('000)				
- during the period	1,052,767	1,049,767	1,052,767	1,049,767
- adjustment for ESOS	-	960	-	960
	<u>1,052,767</u>	<u>1,050,727</u>	<u>1,052,767</u>	<u>1,050,727</u>
Fully diluted earnings per share (Sen)	<u>(0.9)</u>	<u>8.0</u>	<u>(0.9)</u>	<u>8.0</u>

17 Realised and unrealised profit

	The Group	
	As at 30/09/2015 RM '000	As at 30/06/2015 RM '000
Total retained profits of the Group and its subsidiaries		
- Realised	19,101,615	19,285,289
- Unrealised	1,654,034	1,161,592
Total share of retained profits from associated companies		
- Realised	2,075,490	1,976,541
- Unrealised	4	1,759
Total share of retained profits from joint ventures		
- Realised	31,536	26,647
	<u>22,862,679</u>	<u>22,451,828</u>
Less: Consolidation adjustments	(14,794,894)	(14,635,036)
Total Group's retained profits as per consolidated accounts	<u>8,067,785</u>	<u>7,816,792</u>

The breakdown of realised and unrealised profits is based on the Guidance of 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.

Dated this 17th November 2015