

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
THE GROUP		
Assets		
Cash and short term funds	8,349,969	17,084,360
Deposits and placements with banks and other financial institutions	4,453,882	4,494,097
Securities purchased under resale agreements	6,048,073	2,997,197
Financial assets held-for-trading	15,894,070	13,256,502
Financial investments available-for-sale	30,266,081	27,106,786
Financial investments held-to-maturity	9,915,321	9,851,132
Derivative financial instruments	1,442,981	712,983
Loans, advances and financing	107,017,038	103,665,448
Clients' and brokers' balances	267,599	430,804
Other receivables	946,560	695,280
Statutory deposits with Central Banks	3,365,313	3,181,392
Tax recoverable	10,261	11,349
Investment in associates	2,950,985	2,796,943
Investment in joint ventures	98,160	90,912
Property and equipment	1,082,925	1,030,256
Goodwill	2,410,644	2,410,644
Intangible assets	353,798	360,921
Total Assets	194,873,660	190,177,006
Liabilities		
Deposits from customers	132,752,300	130,632,286
Deposits and placements of banks and other financial institutions	10,833,959	9,166,255
Obligations on securities sold under repurchase agreements	6,139,847	4,295,975
Bills and acceptances payable	603,229	358,732
Derivatives financial instruments	1,254,818	821,340
Clients' and brokers' balances	140,518	337,686
Payables and other liabilities	5,762,025	6,269,319
Provision for claims	90,895	67,088
Provision for taxation	156,728	38,583
Deferred tax liabilities	197,705	210,017
Borrowings	3,032,253	5,307,604
Subordinated obligations	5,160,954	5,359,614
Non-innovative Tier 1 stapled securities	1,410,617	1,410,252
Innovative Tier 1 capital securities	535,648	541,767
Insurance funds	8,877,859	8,355,757
Total Liabilities	176,949,355	173,172,275
Equity		
Share capital	1,052,768	1,052,768
Capital reserves	3,016,530	2,712,327
Retained profits	7,910,653	7,447,552
Fair value reserve	148,075	287,257
Treasury shares for ESOS	(25,183)	(25,422)
Total shareholders' equity	12,102,843	11,474,482
Non-controlling interests	5,821,462	5,530,249
Total Equity	17,924,305	17,004,731
Total Liabilities and Equity	194,873,660	190,177,006
Commitment and Contingencies	172,753,884	200,529,510
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)	11.55	10.95

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2014.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2014

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/12/2014 RM '000	Last year quarter ended 31/12/2013 RM '000	Current year to date 31/12/2014 RM '000	Last year to date 31/12/2013 RM '000
THE GROUP				
Interest income	1,581,721	1,438,977	3,120,116	2,890,759
Interest expense	(872,255)	(835,562)	(1,725,355)	(1,680,124)
Net interest income	709,466	603,415	1,394,761	1,210,635
Net income from Islamic banking business	105,868	112,891	215,917	221,241
Non-interest income	327,217	460,058	615,382	917,317
Net income	1,142,551	1,176,364	2,226,060	2,349,193
Overhead expenses	(510,073)	(508,000)	(976,826)	(1,000,188)
Operating profit before allowances	632,478	668,364	1,249,234	1,349,005
Writeback of/(allowance for) impairment losses on loans, advances and financing and other losses	53,805	(20,531)	68,719	(2,798)
Writeback of impairment losses	1,748	3,844	6,553	19,206
	688,031	651,677	1,324,506	1,365,413
Share of results of associates	105,832	99,680	213,168	196,450
Share of results of joint ventures	2,259	1,820	5,441	3,890
Profit before taxation	796,122	753,177	1,543,115	1,565,753
Taxation	(166,432)	(142,790)	(321,551)	(317,997)
Net profit for the financial period	629,690	610,387	1,221,564	1,247,756
Attributable to:				
Owners of the parent	423,839	411,753	815,994	841,942
Non-controlling interests	205,851	198,634	405,570	405,814
Net profit for the financial period	629,690	610,387	1,221,564	1,247,756
Earnings per share - basic (sen)	40.5	39.5	77.9	80.7
Earnings per share - fully diluted (sen)	40.4	39.4	77.8	80.6

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2014.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2014

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/12/2014 RM '000	Last year quarter ended 31/12/2013 RM '000	Current year to date 31/12/2014 RM '000	Last year to date 31/12/2013 RM '000
THE GROUP				
Net profit for the financial period	629,690	610,387	1,221,564	1,247,756
Other comprehensive income/(loss):				
<u>Items that may be reclassified</u> <u>subsequently to profit or loss:</u>				
Share of other comprehensive income/ (loss) of associated companies	10,724	-	7,750	(22)
Net fair value changes in financial investments available-for-sale	(44,841)	90,060	(209,021)	35,587
Net fair value changes in cash flow hedge	619	-	619	-
Currency translation differences	49,307	4,641	65,834	32,794
Income tax relating to components of other comprehensive income	11,056	(22,513)	52,101	(8,895)
Total comprehensive income for the financial period, net of tax	<u>656,555</u>	<u>682,575</u>	<u>1,138,847</u>	<u>1,307,220</u>
Attributable to:				
Owners of the parent	443,429	485,774	724,255	893,228
Non-controlling interests	213,126	196,801	414,592	413,992
	<u>656,555</u>	<u>682,575</u>	<u>1,138,847</u>	<u>1,307,220</u>

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2014.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
THE COMPANY		
<u>Assets</u>		
Cash and short term funds	27,068	6,882
Deposits and placements with banks and other financial institutions	212	8,762
Derivative financial instruments	1,274	1,211
Other receivables	54,572	56,611
Tax recoverable	9,729	10,800
Deferred tax assets	4,863	3,550
Investment in subsidiary companies	14,959,829	14,986,980
Property and equipment	2,156	1,798
Intangible assets	154	172
Total Assets	15,059,857	15,076,766
<u>Liabilities</u>		
Derivative financial instruments	593	1,253
Payables and other liabilities	23,380	17,112
Borrowings	921,581	1,311,342
Total Liabilities	945,554	1,329,707
<u>Financed by:</u>		
Share capital	1,052,768	1,052,768
Capital reserves	377,891	376,858
Retained profits	12,698,825	12,332,614
Treasury shares for ESOS	(15,181)	(15,181)
Total Equity	14,114,303	13,747,059
Total Liabilities and Equity	15,059,857	15,076,766
Commitment and Contingencies	775,000	785,308

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2014.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2014

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2014	quarter ended 31/12/2013	to date 31/12/2014	to date 31/12/2013
THE COMPANY	RM '000	RM '000	RM '000	RM '000
Interest income	879	779	2,621	1,565
Interest expense	(11,764)	(12,673)	(26,117)	(26,122)
Net interest expense	(10,885)	(11,894)	(23,496)	(24,557)
Non-interest income	436,423	346,198	540,544	347,613
Net income	425,538	334,304	517,048	323,056
Overhead expenses	(7,406)	(6,891)	(14,609)	(13,801)
Profit before taxation	418,132	327,413	502,439	309,255
Taxation	484	(85,795)	242	(85,508)
Net profit for the financial period	<u>418,616</u>	<u>241,618</u>	<u>502,681</u>	<u>223,747</u>
Earnings per share - basic (sen)	<u>39.9</u>	<u>23.1</u>	<u>47.9</u>	<u>21.4</u>
Earnings per share - fully diluted (sen)	<u>39.8</u>	<u>23.1</u>	<u>47.8</u>	<u>21.4</u>

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2014

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2014	quarter ended 31/12/2013	to date 31/12/2014	to date 31/12/2013
THE COMPANY	RM '000	RM '000	RM '000	RM '000
Net profit for the financial period	418,616	241,618	502,681	223,747
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive income for the financial period, net of tax	<u>418,616</u>	<u>241,618</u>	<u>502,681</u>	<u>223,747</u>

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2014.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2014

	Share capital	Share premium	Treasury shares for ESOS	Statutory reserve	Other Capital reserve	Share options reserve	Fair value reserve	Cash flow hedge reserve	Regulatory reserve#	Exchange fluctuation reserve	Retained profits	Total shareholders' equity	Non-controlling interests	Total equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
THE GROUP														
At 1 July 2014	1,052,768	117,229	(25,422)	2,454,525	134,848	7,806	287,257	-	10,266	(12,347)	7,447,552	11,474,482	5,530,249	17,004,731
Comprehensive income														
Net profit for the financial period	-	-	-	-	-	-	-	-	-	-	815,994	815,994	405,570	1,221,564
Currency translation differences	-	-	-	-	-	-	-	-	-	47,139	-	47,139	18,695	65,834
Share of other comprehensive income of associates	-	-	-	-	-	-	4,024	-	-	-	-	4,024	3,726	7,750
Net fair value changes in financial investments														
available-for-sale, net of tax	-	-	-	-	-	-	(143,206)	-	-	-	-	(143,206)	(13,559)	(156,765)
Net fair value changes in cash flow hedge, net of tax	-	-	-	-	-	-	-	304	-	-	-	304	160	464
Total comprehensive (loss)/income	-	-	-	-	-	-	(139,182)	304	-	47,139	815,994	724,255	414,592	1,138,847
Transaction with owners														
Transfer to statutory reserves/regulatory reserve	-	-	-	257,295	-	-	-	-	-	-	(257,295)	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	36,843	9,311	46,154
Dividends paid	-	-	-	-	-	-	-	-	-	-	(136,470)	(136,470)	-	(136,470)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	-	-	(165,252)	(165,252)
Non-controlling interests share of subsidiaries' treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	32,562	32,562
Option charge arising from ESOS	-	-	-	-	-	1,121	-	-	-	-	-	1,121	-	1,121
Exercise of ESOS	-	-	239	-	-	(1,675)	-	-	-	-	4,048	2,612	-	2,612
Transfer to capital redemption reserve	-	-	-	-	19	-	-	-	-	-	(19)	-	-	-
At 31 December 2014	1,052,768	117,229	(25,183)	2,711,820	134,867	7,252	148,075	304	10,266	34,792	7,910,653	12,102,843	5,821,462	17,924,305
	Share capital	Share premium	Treasury shares for ESOS	Statutory reserve	Other Capital reserve	Share options reserve	Fair value reserve	Cash flow hedge reserve	Regulatory reserve#	Exchange fluctuation reserve	Retained profits	Total shareholders' equity	Non-controlling interests	Total equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
At 1 July 2013	1,052,768	117,229	(49,958)	1,971,758	134,417	22,768	248,221	-	8,527	(20,501)	6,590,499	10,075,728	4,928,980	15,004,708
Comprehensive income														
Net profit for the financial period	-	-	-	-	-	-	-	-	-	-	841,942	841,942	405,814	1,247,756
Currency translation differences	-	-	-	-	-	-	-	-	-	23,700	-	23,700	9,094	32,794
Share of other comprehensive loss of associates	-	-	-	-	-	-	(15)	-	-	-	-	(15)	(7)	(22)
Net fair value changes in financial investments														
available-for-sale, net of tax	-	-	-	-	-	-	27,601	-	-	-	-	27,601	(909)	26,692
Total comprehensive income	-	-	-	-	-	-	27,586	-	-	23,700	841,942	893,228	413,992	1,307,220
Transaction with owners														
Transfer to statutory reserves/regulatory reserve	-	-	-	269,771	-	-	-	-	-	-	(269,771)	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(14,711)	(14,711)	15,337	626
Dividend paid	-	-	-	-	-	-	-	-	-	-	(135,905)	(135,905)	-	(135,905)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	-	-	(162,109)	(162,109)
Non-controlling interests share of subsidiaries' treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	7,586	7,586
Option charge arising from ESOS	-	-	-	-	-	4,209	-	-	-	-	-	4,209	-	4,209
Exercise of ESOS	-	-	548	-	-	(1,841)	-	-	-	-	4,685	3,392	-	3,392
Transfer to capital redemption reserve	-	-	-	-	431	-	-	-	-	-	(431)	-	-	-
At 31 December 2013	1,052,768	117,229	(49,410)	2,241,529	134,848	25,136	275,807	-	8,527	3,199	7,016,308	10,825,941	5,203,786	16,029,727

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

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2014.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2014

<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 2014	1,052,768	117,229	254,991	4,638	12,332,614	(15,181)	13,747,059
Net profit for the financial period	-	-	-	-	502,681	-	502,681
Dividend paid	-	-	-	-	(136,470)	-	(136,470)
Option charge arising from ESOS	-	-	-	1,033	-	-	1,033
At 31 December 2014	1,052,768	117,229	254,991	5,671	12,698,825	(15,181)	14,114,303

	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 2013	1,052,768	117,229	254,991	16,680	12,318,619	(37,161)	13,723,126
Net profit for the financial period	-	-	-	-	223,747	-	223,747
Dividend paid	-	-	-	-	(135,905)	-	(135,905)
Option charge arising from ESOS	-	-	-	2,301	-	-	2,301
At 31 DECEMBER 2013	1,052,768	117,229	254,991	18,981	12,406,461	(37,161)	13,813,269

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2014.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2014

	The Group		The Company	
	31/12/2014 RM '000	31/12/2013 RM '000	31/12/2014 RM '000	31/12/2013 RM '000
Profit before taxation	1,543,115	1,565,753	502,439	309,255
Adjustment for non-cash items	(96,078)	(106,806)	(520,952)	(318,364)
Operating profit before working capital changes	1,447,037	1,458,947	(18,513)	(9,109)
Income tax paid	(265,364)	(252,685)	-	-
Interest received	2,621	1,565	2,621	1,565
Changes in working capital				
Net changes in operating assets	(9,333,980)	1,594,241	16,918	(1,438)
Net changes in operating liabilities	5,336,884	1,724,679	5,610	1,928
Net cash flow (used in)/generated from operating activities	(2,812,802)	4,526,747	6,636	(7,054)
Cash flow from investing activities:				
Net purchases of financial investments available-for-sale	(3,324,044)	(4,619,896)	-	-
Net purchases of financial investments held-to-maturity	(63,918)	(2,837,459)	-	-
Interest received on financial investments available-for-sale and held-to-maturity	359,154	290,681	-	-
Purchase of intangibles assets	(27,817)	(28,040)	(9)	(7)
Purchase of property and equipment	(94,493)	(123,271)	(649)	(19)
Proceeds from disposal of property and equipment	2,398	32,890	150	123
Dividends received from other investments	96,004	134,262	638	229
Dividends received from subsidiaries	-	-	538,617	257,384
Dividends received from associated companies	96,877	56,086	-	-
Investment in joint venture	(1,638)	(1,628)	-	-
Subscription of shares in subsidiary company	-	-	(11,352)	-
Proceeds from redemption of redeemable preference shares	-	-	38,503	50,843
Net cash flow (used in)/generated from investing activities	(2,957,477)	(7,096,375)	565,898	308,553
Cash flow from financing activities				
Dividends paid to equity holders of the Company	(136,470)	(135,905)	(136,470)	(135,905)
Dividends paid to non-controlling interests	(165,252)	(162,109)	-	-
Cash received from ESOS exercised	2,612	3,392	-	-
(Repayment)/drawdown of revolving credit	(5,000)	155,000	(5,000)	155,000
Drawdown of intercompany loan	-	-	-	60,000
Redemption of medium term notes and commercial paper	(2,625,000)	(245,000)	(625,000)	(245,000)
Drawdown/(repayment) of term loans	240,000	(110,000)	240,000	(110,000)
Repayment of subordinated obligations	(200,000)	-	-	-
Interest paid on subordinated obligations	(116,227)	(108,924)	-	-
Interest paid on borrowings	(173,430)	(139,297)	(25,878)	(25,344)
Interest paid on non-innovative Tier 1 stapled securities	(11,041)	(36,230)	-	-
Interest paid on innovative Tier 1 capital securities	(12,771)	(13,145)	-	-
Net cash flow used in financing activities	(3,202,579)	(792,218)	(552,348)	(301,249)
Changes in cash and cash equivalents	(8,972,858)	(3,361,846)	20,186	250
Effect of change in foreign exchange rate	238,467	119,341	-	-
Cash and cash equivalents as at 1 July	17,084,360	19,797,580	6,882	10,662
Cash and cash equivalents as at 31 December	8,349,969	16,555,075	27,068	10,912

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2014.

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG” or “the Company”)
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2014**

1. Basis of preparation

The unaudited condensed financial statements for the financial period ended 31 December 2014 have been prepared under the historical cost convention, except for the following assets and liabilities which are stated at fair values: financial assets held-for-trading, financial investments available-for-sale, derivative financial instruments and investment properties.

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 2014. 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 2014.

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 2014, except for the adoption of following amendments to Malaysian Financial Reporting Standards (“MFRSs”), Interpretation to the Issues Committee (“IC Interpretation”) and Annual Improvements to MFRSs with effective from 1 July 2014:

Amendment to MFRS 10	“Consolidated Financial Statements” - Investment Entities
Amendment to MFRS 12	“Disclosures of Interests in Other Entities” - Investment Entities
Amendment to MFRS 127	“Separate Financial Statements” - Investment Entities
Amendment to MFRS 132	“Financial Instruments: Presentation” - Offsetting Financial Assets and Financial Liabilities
Amendment to MFRS 139	“Financial Instruments: Recognition and Measurement” - Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	“Levies”
Annual Improvements to MFRSs 2010-2012 Cycle	
Annual Improvements to MFRSs 2011-2013 Cycle	

The adoption of the above amendments to MFRSs, IC Interpretation and Annual Improvements to MFRSs are not expected to have impact on the financial results of the Group and the Company.

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 2014

There was no qualified report issued by the auditors in the preceding annual financial statements for the year ended 30 June 2014.

3. Seasonality or cyclicity 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 31 December 2014 other than as mentioned below.

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

A trust has been set up for the ESOS of HLFG and is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's shares from the open market for the purposes of this trust. In accordance to MFRS 132: Financial Statements: Presentation and Disclosure, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury shares for ESOS" in the shareholders' equity on the statement of financial position.

The Company has previously granted 6,000,000 conditional incentive share options at an exercise price of RM11.77 to eligible executives of the Company pursuant to the ESOS of HLFG subject to the achievement of certain performance criteria over an option performance period. The said share options, if vested, will be satisfied by the transfer of existing shares purchased by a trust established for the ESOS.

During the financial period ended 31 December 2014, no shares were exercised pursuant to the Company's ESOS.

The remaining number of shares held by the appointed trustee for the Company as at 31 December 2014 was 3,000,408 units at an average price of RM5.06 per share and the total consideration paid, including transaction costs was RM15,181,000.

The insurance subsidiary companies exercised a total of 50,300 ordinary shares of RM1 each pursuant to the Company's ESOS at the granted exercise price of RM8.09 during the financial period ended 31 December 2014.

The remaining number of shares held by the appointed trustee for the insurance subsidiary companies as at 31 December 2014 was 2,103,992 units at an average price of RM4.75 per share with total consideration paid, including transaction costs was RM10,002,000 which have been classified as treasury shares for ESOS at the Group level.

b) Issuance of Tier 2 Subordinated Notes

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 HLFG, 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.

c) Repayment of debt and equity securities

On 2 December 2014, Hong Leong Bank Berhad ("HLB"), a subsidiary of HLFG, had fully redeemed the second tranche of RM250.0 million nominal value bearing coupon rate of 5.75% per annum, which were previously issued by Promino Sdn Bhd (formerly known as EON Bank Berhad) and vested to HLB on 1 July 2011.

7. Dividends paid

A single-tier interim dividend of 13.0 sen per share amounting to RM136.5 million was paid on 23 December 2014.

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 31 December 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	2,035,266	83,175	111,255	(3,636)	-	2,226,060
Intersegment revenue	2,740	538	1,935	547,555	(552,768)	-
	<u>2,038,006</u>	<u>83,713</u>	<u>113,190</u>	<u>543,919</u>	<u>(552,768)</u>	<u>2,226,060</u>
Results for the period ended						
Segment results	1,220,879	34,276	81,706	529,216	(541,571)	1,324,506
Share of results of associates						213,168
Share of results of joint ventures						5,441
Profit before taxation						<u>1,543,115</u>
Taxation						(321,551)
Net profit for the financial period						<u>1,221,564</u>
Non-controlling interests						(405,570)
Profit attributable to owners of the parent						<u>815,994</u>
Other information						
Segment assets	176,982,877	3,811,877	13,676,412	15,226,802	(14,824,308)	<u>194,873,660</u>
Segment liabilities	161,692,257	3,202,694	11,301,351	994,789	(241,736)	<u>176,949,355</u>

8. Segmental reporting (continued)

The Group 31 December 2013	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	2,078,203	89,071	172,041	9,878	-	2,349,193
Intersegment revenue	6,174	244	1,238	351,013	(358,669)	-
	<u>2,084,377</u>	<u>89,315</u>	<u>173,279</u>	<u>360,891</u>	<u>(358,669)</u>	<u>2,349,193</u>
Results for the period ended						
Segment results	1,186,592	35,434	143,027	346,947	(346,587)	1,365,413
Share of results of associates						196,450
Share of results of joint ventures						3,890
Profit before taxation						<u>1,565,753</u>
Taxation						<u>(317,997)</u>
Net profit for the financial period						1,247,756
Non-controlling interests						<u>(405,814)</u>
Profit attributable to owners of the parent						<u>841,942</u>
Other information						
Segment assets	165,436,619	3,539,195	14,194,313	15,514,768	(15,125,713)	<u>183,559,182</u>
Segment liabilities	151,698,564	3,013,563	11,853,772	1,510,157	(546,601)	<u>167,529,455</u>

9. Financial assets held-for-trading

	The Group	
	As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
Money market instruments:		
Government treasury bills	420,338	197,064
Malaysian Government securities	775,229	33,224
Negotiable instruments of deposit	9,364,766	9,274,432
Bankers' acceptances and Islamic accepted bills	163,078	576,717
Bank Negara Malaysia bills	2,831,762	848,000
Malaysian Government investment certificates	161,468	528,352
Cagamas bonds	58,580	65,787
Khazanah bonds	-	37,439
Other government securities	2,587	2,567
	<u>13,777,808</u>	<u>11,563,582</u>
Quoted securities:		
Shares in Malaysia	481,424	553,550
Shares outside Malaysia	94,411	187,200
Foreign currency bonds	108,414	243,175
Unit trust investments	155,939	89,452
Warrants quoted in Malaysia	345	1,012
	<u>840,533</u>	<u>1,074,389</u>
Unquoted securities:		
Foreign currency bonds	218,076	134,366
Private and Islamic debts securities	1,057,653	484,165
	<u>1,275,729</u>	<u>618,531</u>
Total financial assets held-for-trading	<u>15,894,070</u>	<u>13,256,502</u>

10. Financial investments available-for-sale

	The Group	
	As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
Money market instruments:		
Government treasury bills	105,664	546,703
Malaysian Government securities	1,219,377	1,645,275
Malaysian Government investment certificates	3,727,452	2,677,845
Khazanah bonds	258,462	208,615
Cagamas bonds	1,033,185	965,610
Other government securities	1,767,694	1,442,202
	<u>8,111,834</u>	<u>7,486,250</u>
Quoted securities:		
Shares in Malaysia	1,167,924	1,319,110
Shares outside Malaysia	265,638	230,410
Foreign currency bonds in Malaysia	4,772,258	3,224,143
Foreign currency bonds outside Malaysia	1,309,753	727,868
Warrants in Malaysia	448	1,062
Unit trust investments	3,752,348	4,658,678
	<u>11,268,369</u>	<u>10,161,271</u>
Unquoted securities :		
Shares in Malaysia	366,202	366,202
Shares outside Malaysia	3,818	3,506
Foreign currency bonds in Malaysia	148,506	143,242
Foreign currency bonds outside Malaysia	527,461	394,078
Investment-linked funds	300	300
Private debt securities	9,839,591	8,551,937
	<u>10,885,878</u>	<u>9,459,265</u>
Total financial investments available-for-sale	<u>30,266,081</u>	<u>27,106,786</u>

11. Financial investments held-to-maturity

	The Group	
	As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
Money market instruments:		
Malaysian Government securities	3,113,222	3,120,731
Malaysian Government investment certificates	5,394,066	5,399,565
Negotiable instruments of deposit	2,338	55,217
Cagamas bonds	75,950	96,455
Other Government securities	356,911	253,646
	<u>8,942,487</u>	<u>8,925,614</u>
Unquoted securities:		
Loan stocks	49	49
Private and Islamic debt securities	708,026	678,317
Foreign currency bonds outside Malaysia	211,273	194,666
Unquoted bonds	486	486
Investment in preference shares	53,000	52,000
	<u>972,834</u>	<u>925,518</u>
Total financial investments held-to-maturity	<u>9,915,321</u>	<u>9,851,132</u>

12. Loans, advances and financing

	The Group	
	As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
Overdrafts	3,997,231	4,104,535
Term loans:		
- Housing and shop loans/financing	49,965,623	46,563,762
- Syndicated term loan/financing	8,681,283	7,939,722
- Hire purchase receivables	17,671,442	17,405,481
- Other term loans/financing	8,648,791	8,684,556
Credit/charge card receivables	4,168,193	4,192,192
Bills receivables	1,122,180	1,116,670
Trust receipts	320,465	296,587
Claims on customers under acceptance credits	7,092,807	8,118,324
Block discounting	257	253
Revolving credits	5,448,926	5,545,623
Policy and premium loans	672,692	654,958
Staff loans	168,647	172,011
Other loans/financing	427,027	461,848
Gross loans, advances and financing	108,385,564	105,256,522
Unamortised fair value changes arising from terminated fair value hedges	(2,600)	(1,516)
Allowance for impaired loans, advances and financing:		
- collective assessment allowance	(996,318)	(1,077,911)
- individual assessment allowance	(369,608)	(511,647)
Total net loans, advances and financing	107,017,038	103,665,448

(a) By type of customer

	The Group	
	As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
Domestic non-bank financial institutions	409,438	278,231
Domestic business enterprises		
- small and medium enterprises	16,933,285	16,368,945
- others	17,826,155	19,298,810
Government and statutory bodies	25,303	28,345
Individuals	68,286,628	64,825,999
Other domestic entities	150,861	158,579
Foreign entities	4,753,894	4,297,613
Gross loans, advances and financing	108,385,564	105,256,522

(b) By interest/profit rate sensitivity

	The Group	
	As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
Fixed rate		
- Housing and shop loans/financing	2,842,618	2,838,669
- Hire purchase receivables/financing	17,427,037	17,254,282
- Other fixed rate loan/financing	6,877,902	7,559,790
Variable rate		
- Base lending rate plus	66,385,993	61,970,968
- Cost plus	14,547,051	15,320,089
- Other variables rates	304,963	312,724
Gross loans, advances and financing	108,385,564	105,256,522

12. Loans, advances and financing (continued)

(c) By economic purpose

	The Group	
	As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
Purchase of securities	954,518	1,054,079
Purchase of transport vehicles	17,638,852	17,292,319
Purchase of landed properties		
- residential	41,977,554	39,001,580
- non-residential	13,403,681	12,370,138
Purchase of fixed assets (excluding landed properties)	487,455	530,527
Personal use	3,430,184	3,370,722
Credit card	4,168,193	4,192,192
Purchase of consumer durables	430	445
Construction	1,306,585	1,163,043
Mergers and acquisition	288,530	303,096
Working capital	21,492,021	22,713,474
Others	3,237,561	3,264,907
Gross loans, advances and financing	<u>108,385,564</u>	<u>105,256,522</u>

(d) By geographical distribution

	The Group	
	As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
Malaysia	104,891,116	102,176,684
Singapore	3,019,099	2,675,129
Hong Kong	-	4,816
Vietnam	304,963	312,724
Cambodia	170,386	87,169
Gross loans, advances and financing	<u>108,385,564</u>	<u>105,256,522</u>

(e) By residual contractual maturity

	The Group	
	As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
Within one year	27,601,432	27,881,173
One year to less than three years	7,807,331	8,208,065
Three years to less than five years	10,100,064	9,726,789
Five years and more	62,876,737	59,440,495
Gross loans, advances and financing	<u>108,385,564</u>	<u>105,256,522</u>

12. Loans, advances and financing (continued)

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

	The Group	
	As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
Purchase of securities	670	758
Purchase of transport vehicles	233,958	225,812
Purchase of landed properties		
- residential	206,202	214,321
- non-residential	40,929	47,737
Purchase of fixed assets (excluding landed properties)	35,838	37,484
Personal use	32,290	34,940
Credit card	45,590	53,058
Purchase of consumer durables	4	4
Construction	19,730	4,379
Working capital	404,066	572,014
Others	33,096	42,081
	<u>1,052,373</u>	<u>1,232,588</u>

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

	The Group	
	As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
Malaysia	1,021,515	1,219,374
Vietnam	30,858	13,214
	<u>1,052,373</u>	<u>1,232,588</u>

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

	The Group	
	As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
As at beginning of the financial period/year	1,232,588	1,360,566
Impaired during the financial period/year	737,439	1,705,583
Performing during the financial period/year	(380,403)	(897,336)
Amount written back in respect of recoveries	(280,273)	(507,495)
Amount written off	(261,625)	(431,273)
Exchange differences	4,647	2,543
As at end of the financial period/year	<u>1,052,373</u>	<u>1,232,588</u>
Gross impaired loan as a % of gross loans, advances and financing	<u>1.0%</u>	<u>1.2%</u>

12. Loans, advances and financing (continued)

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

	The Group	
	As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
<u>Collective assessment allowance</u>		
As at beginning of the financial period/year	1,077,911	1,260,301
Net allowance made during the period/year	115,688	255,275
Amount written off	(166,274)	(367,890)
Amount transferred to individual assessment allowance	(94)	(1,915)
Unwinding income	(31,071)	(68,545)
Exchange differences	158	685
As at end of the financial period/year	<u>996,318</u>	<u>1,077,911</u>
As % of gross loans, advances and financing less individual assessment allowance	<u>0.9%</u>	<u>1.0%</u>
<u>Individual assessment allowance</u>		
As at beginning of the financial period/year	511,647	526,270
Net allowance made during the period/year	31,833	140,025
Amount transferred from collective assessment allowance	94	1,915
Amount written back in respect of recoveries	(98,688)	(108,868)
Amount written off	(76,191)	(41,618)
Unwinding income	(2,966)	(7,112)
Exchange differences	3,879	1,035
As at end of the financial period/year	<u>369,608</u>	<u>511,647</u>

13. Other receivables

	The Group	
	As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
Investment properties	1,760	1,760
Foreclosed properties	1,023	1,112
Sundry debtors and other prepayments	117,992	132,150
Treasury related receivable	552,644	242,573
Other receivables	273,141	317,685
	<u>946,560</u>	<u>695,280</u>
<u>The Company</u>		
	As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
Amount due from subsidiary companies	52,883	54,535
Sundry debtors and other prepayments	1,380	932
Other receivables	309	1,144
	<u>54,572</u>	<u>56,611</u>

14. Deposits from customers

(a) By type of deposits

	The Group	
	As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
Fixed deposits	76,977,965	74,243,402
Negotiable instruments of deposit	12,411,463	11,598,134
	<u>89,389,428</u>	<u>85,841,536</u>
Demand deposits	18,976,764	18,913,794
Savings deposits	14,961,721	15,020,628
Short term corporate placement	9,089,791	10,556,968
Others	436,621	381,524
Gross deposits from customers	<u>132,854,325</u>	<u>130,714,450</u>
Fair value changes arising from designation at fair value through profit or loss*	(102,025)	(82,164)
Total net deposits from customers	<u><u>132,752,300</u></u>	<u><u>130,632,286</u></u>

*Note:

The Group has issued structured deposits (Callable Range Accrual Notes) and designated them at fair value through profit or loss. This designation is permitted under MFRS 139 "Financial Instruments: Recognition and Measurement" as it significantly reduces accounting mismatch. These instruments are managed by the Group on the basis of its fair value and includes terms that have substantive derivative characteristic. The structured deposits are recorded at fair value.

(b) By type of customers

	The Group	
	As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
Government and statutory bodies	3,030,724	2,299,321
Business enterprises	59,595,284	56,739,253
Individuals	67,878,023	66,662,907
Others	2,350,294	5,012,969
Gross deposits from customers	<u>132,854,325</u>	<u>130,714,450</u>

(c) The maturity structure of fixed deposits and negotiable instruments of deposits are as follows:

	The Group	
	As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
Due within six months	65,677,048	65,302,503
More than six months to one year	19,116,491	16,537,616
More than one year to five years	3,765,889	3,501,417
More than five years	830,000	500,000
	<u>89,389,428</u>	<u>85,841,536</u>

15. Deposits and placements of banks and other financial institutions

	The Group	
	As at	As at
	31/12/2014	30/06/2014
	RM '000	RM '000
Licensed banks and investment banks	8,691,118	6,153,972
Licensed Islamic banks	340,030	901,261
Other financial institutions	1,802,811	2,111,022
	<u>10,833,959</u>	<u>9,166,255</u>
The maturity structure of deposits and placements of banks and other financial institutions:		
- One year or less (short term)	<u>10,833,959</u>	<u>9,166,255</u>

16. Payables and other liabilities

	The Group	
	As at	As at
	31/12/2014	30/06/2014
	RM '000	RM '000
Trade payables	1,428,975	1,325,059
Amount due to Cagamas Berhad	-	84,160
Loan advance payment	2,061,110	1,882,838
Post employment benefits obligations - defined contribution plan	4,483	4,236
Treasury and cheque clearing	971,845	1,219,056
Treasury related payables	156,620	56,425
Sundry creditors and accruals	683,094	563,278
Provision for bonus and staff related expenses	108,037	186,621
Advance payments received for corporate exercise	-	416,545
Others	347,861	531,101
	<u>5,762,025</u>	<u>6,269,319</u>

	The Company	
	As at	As at
	31/12/2014	30/06/2014
	RM '000	RM '000
Amount due to subsidiary companies	1	24
Sundry creditors and accruals	3,308	3,620
Provision for bonus and staff related expenses	20,030	13,428
Post employment benefits obligations - defined contribution plan	41	40
	<u>23,380</u>	<u>17,112</u>

17. Interest income

	The Group		The Group	
	Current quarter ended 31/12/2014 RM '000	Last year quarter ended 31/12/2013 RM '000	Current year to date 31/12/2014 RM '000	Last year to date 31/12/2013 RM '000
Loans, advances and financing	1,104,872	1,027,509	2,188,141	2,051,460
Money at call and deposit placements with financial institutions	77,078	119,272	182,861	261,088
Securities purchased under resale agreements	53,965	8,692	87,491	16,861
Financial assets held-for-trading	155,516	129,018	296,778	267,939
Financial investments available-for-sale	119,576	106,839	224,048	211,455
Financial investments held-to-maturity	67,641	46,274	135,106	79,159
Others	3,073	1,373	5,691	2,797
	<u>1,581,721</u>	<u>1,438,977</u>	<u>3,120,116</u>	<u>2,890,759</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>16,979</u>	<u>5,121</u>	<u>30,239</u>	<u>10,553</u>

	The Company		The Company	
	Current quarter ended 31/12/2014 RM '000	Last year quarter ended 31/12/2013 RM '000	Current year to date 31/12/2014 RM '000	Last year to date 31/12/2013 RM '000
Money at call and deposit placements with financial institutions	389	218	1,011	394
Others	490	561	1,610	1,171
	<u>879</u>	<u>779</u>	<u>2,621</u>	<u>1,565</u>

18. Interest expense

	The Group		The Group	
	Current quarter ended 31/12/2014 RM '000	Last year quarter ended 31/12/2013 RM '000	Current year to date 31/12/2014 RM '000	Last year to date 31/12/2013 RM '000
Deposits and placements of banks and other financial institutions	22,876	29,471	43,813	66,565
Deposits from customers	681,212	604,901	1,317,451	1,199,416
Short term corporate placements	51,836	46,298	102,900	104,611
Borrowings	29,648	70,386	87,942	141,918
Subordinated bonds	58,144	55,444	116,497	110,166
Non-innovative Tier 1 stapled securities	17,988	18,101	36,005	36,230
Innovative Tier 1 capital securities	7,640	6,657	14,946	13,258
Others	2,911	4,304	5,801	7,960
	<u>872,255</u>	<u>835,562</u>	<u>1,725,355</u>	<u>1,680,124</u>
	The Company		The Company	
	Current quarter ended 31/12/2014 RM '000	Last year quarter ended 31/12/2013 RM '000	Current year to date 31/12/2014 RM '000	Last year to date 31/12/2013 RM '000
Borrowings	11,454	12,579	25,507	26,013
Others	310	94	610	109
	<u>11,764</u>	<u>12,673</u>	<u>26,117</u>	<u>26,122</u>

19. Non-Interest Income

	The Group		The Group	
	Current quarter ended 31/12/2014 RM '000	Last year quarter ended 31/12/2013 RM '000	Current year to date 31/12/2014 RM '000	Last year to date 31/12/2013 RM '000
Net income from insurance business	54,428	75,292	86,268	154,013
Net brokerage and commissions from stockbroking business	13,527	13,903	29,692	27,719
Net unit trust and asset management income	4,226	5,050	8,125	10,548
Fee income:				
Commissions	37,743	34,593	77,182	69,174
Service charges and fees	14,041	15,922	25,437	26,947
Guarantee fees	4,203	9,060	9,729	15,420
Credit card related fees	65,148	77,097	120,567	151,620
Corporate advisory fees	6,305	2,791	9,438	4,586
Commitment fees	8,921	9,278	18,120	18,520
Fee on loans, advances and financing	17,109	19,447	31,053	37,153
Placement fees	1,372	2	4,250	81
Arranger fees	2,540	3,425	3,425	10,584
Other fee income	25,980	14,941	39,120	29,542
	183,362	186,556	338,321	363,627
Gain/(loss) arising from sale of financial assets:				
Net gain from sale of financial assets held-for-trading	25,096	8,744	30,281	8,476
Net gain from sale of financial investments available-for-sale	14,383	29,430	39,907	46,319
Net gain from redemption of financial investments held-to-maturity	197	55	271	64
Net (loss)/gain from sale of derivatives financial instruments	(23,920)	4,709	(32,675)	18,298
	15,756	42,938	37,784	73,157
Gross dividend income from:				
Financial assets held-for-trading	566	321	1,064	10,728
Financial investments available-for-sale	38,296	62,072	94,940	123,534
	38,862	62,393	96,004	134,262
Net unrealised (loss)/gain on revaluation of:				
Financial assets held-for-trading	(5,430)	(5,750)	(5,415)	21,349
Derivatives financial instruments	4,399	16,709	16,622	25,754
	(1,031)	10,959	11,207	47,103
Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges	(968)	(1,749)	(2,444)	(4,579)
Other income:				
Foreign exchange gain/(loss)	12,902	57,680	(3,417)	100,590
Rental income	1,557	1,479	3,077	2,959
Gain on disposal of property and equipment (net)	450	157	1,731	288
Others	4,146	5,400	9,034	7,630
	19,055	64,716	10,425	111,467
Total non-interest income	327,217	460,058	615,382	917,317

19. Non-Interest Income (continued)

	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2014 RM '000	quarter ended 31/12/2013 RM '000	to date 31/12/2014 RM '000	to date 31/12/2013 RM '000
Fee income:				
Management fees	2,545	2,243	5,376	4,481
Loss arising from sale of financial assets:				
Net loss from sale of financial assets held-for-trading	(50)	-	(50)	-
Net loss from sale of derivatives financial instruments	(5,522)	(1,347)	(5,363)	(2,749)
Gross dividend income from:				
Financial assets held-for-trading	468	173	638	229
Subsidiary companies	436,017	343,179	538,617	343,179
Net unrealised gain on revaluation of derivatives financial instruments	2,795	1,941	1,146	1,840
Other income	170	9	180	633
Total non-interest income	436,423	346,198	540,544	347,613

20. Overhead expenses

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2014 RM '000	quarter ended 31/12/2013 RM '000	to date 31/12/2014 RM '000	to date 31/12/2013 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	253,719	248,834	498,267	496,216
- Medical expenses	7,000	4,575	12,633	10,465
- Training and convention expenses	10,539	6,477	15,084	9,947
- Staff welfare	2,679	2,830	4,714	6,397
- Others	9,063	9,055	16,288	16,834
	283,000	271,771	546,986	539,859
<u>Establishment costs</u>				
- Depreciation of property and equipments*	26,204	28,891	37,141	56,822
- Amortisation of intangible assets*	10,536	23,752	36,436	47,505
- Rental	22,049	20,575	43,464	41,104
- Information technology expenses	31,617	30,580	61,118	57,511
- Security services	6,550	8,877	12,940	16,793
- Electricity, water and sewerage	5,802	5,947	12,616	11,839
- Hire of plant and machinery	3,533	3,531	6,784	7,028
- Others	6,342	7,985	12,799	16,224
	112,633	130,138	223,298	254,826
<u>Marketing expenses</u>				
- Advertisement and publicity	6,937	3,956	13,010	10,585
- Credit card related fees	32,201	22,285	57,906	42,567
- Others	4,488	8,568	9,365	16,460
	43,626	34,809	80,281	69,612
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,950	3,836	7,294	6,354
- Stationery and printing expenses	5,088	4,469	9,697	7,935
- Professional fees	20,242	17,533	38,870	38,239
- Insurance fees	8,527	8,509	18,354	14,094
- Travelling and transport expenses	1,749	1,733	3,206	3,408
- Registration and license fees	1,596	1,418	2,900	2,894
- Brokerage and commission	1,825	1,774	3,751	3,020
- Stamp, postage and courier	6,035	5,341	11,138	9,657
- Others	21,802	26,669	31,051	50,290
	70,814	71,282	126,261	135,891
	510,073	508,000	976,826	1,000,188

* During the financial period, the Group had reviewed and revised the useful lives of certain class of assets. This was done in accordance to MFRS 116 - Property, Plant and Equipment and MFRS 138 - Intangible Assets. The revisions were accounted for prospectively as a change in accounting estimates and as a result, the depreciation and amortisation charged of the Group for the current financial period had decreased.

20. Overhead expenses (continued)

	The Company		The Company	
	Current quarter ended 31/12/2014 RM '000	Last year quarter ended 31/12/2013 RM '000	Current year to date 31/12/2014 RM '000	Last year to date 31/12/2013 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	5,109	4,685	10,265	9,400
- Medical expenses	28	32	54	56
- Training and convention expenses	5	7	14	16
- Staff welfare	69	65	137	116
- Others	765	1,167	1,418	2,338
	<u>5,976</u>	<u>5,956</u>	<u>11,888</u>	<u>11,926</u>
<u>Establishment costs</u>				
- Depreciation of property and equipments	143	73	285	146
- Amortisation of intangible assets	18	2	35	4
- Rental	198	211	386	422
- Electricity, water and sewerage	12	12	22	27
- Hire of plant and machinery	9	8	18	15
- Others	85	38	129	72
	<u>465</u>	<u>344</u>	<u>875</u>	<u>686</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	6	5	10	14
- Stationery and printing expenses	11	20	24	32
- Professional fees	158	282	432	508
- Management fees	754	129	1,309	258
- Travelling and transport expenses	3	102	11	136
- Others	33	53	60	241
	<u>965</u>	<u>591</u>	<u>1,846</u>	<u>1,189</u>
	<u>7,406</u>	<u>6,891</u>	<u>14,609</u>	<u>13,801</u>

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

	The Group		The Group	
	Current quarter ended 31/12/2014 RM '000	Last year quarter ended 31/12/2013 RM '000	Current year to date 31/12/2014 RM '000	Last year to date 31/12/2013 RM '000
(Writeback of)/allowance for impairment losses on loans, advances and financing:				
- Individual assessment allowance	(57,399)	(5,085)	(66,855)	(4,273)
- Collective assessment allowance	60,150	76,582	115,688	126,267
Allowance for/(writeback of) impairment losses on clients' and brokers' balances:				
- Individual assessment allowance	34	69	55	12
- Collective assessment allowance	5	1	13	(14)
Writeback of impairment losses on other assets				
- Individual assessment allowance	(95)	(48)	(95)	(113)
Impaired loans and financing:				
- written off	20,266	5,509	28,089	11,846
- recovered	(76,766)	(56,497)	(145,614)	(130,927)
	<u>(53,805)</u>	<u>20,531</u>	<u>(68,719)</u>	<u>2,798</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 4.00% (2013: 3.50%) and 5.50% (2013: 4.50%) respectively, for year 2014. The minimum regulatory capital adequacy requirement remains at 8.00% (2013: 8.00%) for total capital ratio.

The risk-weighted assets ("RWA") of the 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	
	31/12/2014	30/06/2014	31/12/2014	30/06/2014	31/12/2014	30/06/2014
Before deducting proposed dividends						
CET I capital ratio	11.078%	10.903%	10.341%	10.172%	17.538%	20.108%
Tier I capital ratio	12.439%	12.306%	11.887%	11.777%	17.538%	20.108%
Total capital ratio	14.967%	15.072%	14.600%	14.657%	20.889%	20.259%
After deducting proposed dividends						
CET I capital ratio	10.840%	10.480%	10.071%	9.689%	17.538%	16.401%
Tier I capital ratio	12.201%	11.883%	11.617%	11.294%	17.538%	16.401%
Total capital ratio	14.729%	14.649%	14.330%	14.173%	20.889%	16.552%

(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	
	31/12/2014	30/06/2014	31/12/2014	30/06/2014	31/12/2014	30/06/2014
	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	2,871,624	2,832,383	2,871,624	2,832,383	87,950	87,950
Retained profit	7,380,686	7,189,104	5,604,877	5,375,070	38,903	38,903
Other reserves	3,480,130	3,171,817	2,995,623	2,773,797	118,019	179,789
Less: Treasury shares	(614,802)	(645,579)	(614,802)	(645,579)	-	-
Less: Other intangible assets	(336,870)	(347,791)	(323,196)	(335,319)	-	-
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(30,153)	(29,978)
Less: Deferred tax assets	-	-	-	-	(103,671)	(103,671)
Less: Investment in subsidiary company/ associated company/joint venture	(457,475)	(430,676)	(475,818)	(475,075)	-	-
Less: Other regulatory adjustments	-	-	-	-	(77)	(77)
Total CET I capital	12,371,890	11,817,855	10,166,670	9,633,639	275,971	337,916
Additional Tier I capital						
Non-innovative Tier I stapled securities	1,120,000	1,120,000	1,120,000	1,120,000	-	-
Innovative Tier I capital securities	400,000	400,000	400,000	400,000	-	-
Total additional Tier I capital	1,520,000	1,520,000	1,520,000	1,520,000	-	-
Total Tier I capital	13,891,890	13,337,855	11,686,670	11,153,639	275,971	337,916

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	
	31/12/2014 RM '000	30/06/2014 RM '000	31/12/2014 RM '000	30/06/2014 RM '000	31/12/2014 RM '000	30/06/2014 RM '000
Tier II Capital						
Redeemable preference shares	-	-	-	-	1,631	1,631
Collective assessment allowance ^	665,268	732,980	582,723	639,439	1,419	1,204
Subordinated obligations	3,988,000	3,988,000	3,988,000	3,988,000	50,000	-
Tier II capital before regulatory adjustments	4,653,268	4,720,980	4,570,723	4,627,439	53,050	2,835
Less: Regulatory adjustments						
Investment in subsidiary companies	-	-	(1,084,684)	(1,081,727)	(306)	(306)
Investment in associated company	(1,752,823)	(1,650,640)	(757,218)	(757,204)	-	-
Investment in joint venture	(77,075)	(72,064)	(61,369)	(61,369)	-	-
Total Tier II capital	2,823,370	2,998,276	2,667,452	2,727,139	52,744	2,529
Total capital	16,715,260	16,336,131	14,354,122	13,880,778	328,715	340,445

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

(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	
	31/12/2014 RM '000	30/06/2014 RM '000	31/12/2014 RM '000	30/06/2014 RM '000	31/12/2014 RM '000	30/06/2014 RM '000
Credit risk	100,877,412	96,729,672	88,090,961	84,227,557	741,572	896,087
Market risk	3,194,547	4,126,372	3,614,460	3,912,418	582,316	571,557
Operational risk	7,609,469	7,532,731	6,611,071	6,563,115	249,717	212,853
Total RWA	111,681,428	108,388,775	98,316,492	94,703,090	1,573,605	1,680,497

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

	Hong Leong Islamic Bank	
	31/12/2014	30/06/2014
Before deducting proposed dividends		
CET I capital ratio	12.432%	11.829%
Tier I capital ratio	12.432%	11.829%
Total capital ratio	16.185%	15.587%
After deducting proposed dividends		
CET I capital ratio	12.119%	11.392%
Tier I capital ratio	12.119%	11.392%
Total capital ratio	15.871%	15.150%

23. Events after Balance Sheet date

There are no materials events subsequent to the end of the financial period ended 31 December 2014.

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) RC Nominees (Tempatan) Sdn Bhd, a wholly-owned subsidiary of Hong Leong Investment Bank Berhad, which in turn a wholly-owned subsidiary of HLF's subsidiary, Hong Leong Capital Berhad ("HLCB"), was dissolved on 1 July 2014.
- (b) HL Asset Management Pte. Ltd. ("HLAMPL"), a wholly-owned subsidiary of Hong Leong Asset Management Bhd, which in turn a wholly-owned subsidiary of HLCB, had submitted an application to the Accounting and Corporate Regulatory Authority ("ACRA"), Singapore, to strike off its name from the Register of Companies under Section 344 of the Singapore Companies Act, Chapter 50. Accordingly, the name of HLAMPL had been struck off from the Register by the Registrar of Companies with effect from 20 November 2014.
- (c) On 26 November 2014, Hong Leong Bank Berhad ("HLB"), a subsidiary of HLF, announced that it had placed Promitol Sdn Bhd ("Promitol"), a wholly-owned subsidiary of HLB, under member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965. HLB also announced that WTB Corporation Sdn Bhd ("WTB"), a wholly-owned subsidiary of HLF Credit (Perak) Bhd, which in turn is a wholly-owned subsidiary of HLB, had placed Wah Tat Nominees (Asing) Sdn Bhd ("Wah Tat Nominees (Asing)"), a wholly-owned subsidiary of WTB, under member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965. Both Promitol and Wah Tat Nominees (Asing) are dormant.

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	
	31/12/2014 RM'000	30/06/2014 RM'000
Direct credit substitutes	329,849	376,792
Certain transaction related contingent items	1,683,899	1,706,130
Short-term self liquidating trade related contingencies	805,807	765,904
Forward asset purchases	-	37,432
Underwriting obligation	-	299,154
Irrevocable commitments to extend credit:		
-maturity more than 1 year	18,291,231	17,251,829
-maturity less than 1 year	17,366,073	15,821,707
Any commitments that are unconditionally cancellable at any time by the Group without prior notice	688,644	627,233
Foreign exchange related contracts		
- less than one year	47,305,381	43,902,047
- one year to less than five years	4,494,566	4,369,268
- five years and above	722,150	598,871
Interest rate related contracts		
- less than one year	20,807,491	45,759,521
- one year to less than five years	44,874,134	51,939,223
- five years and above	7,029,736	8,501,058
Equity related contracts		
- less than one year	226,900	207,936
- one year to less than five years	11,500	105,810
Unutilised credit card lines	7,381,779	7,610,596
Others	734,744	648,999
Total	<u>172,753,884</u>	<u>200,529,510</u>

25. Commitments and contingencies (continued)

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

	The Company	
	31/12/2014	30/06/2013
	RM'000	RM'000
Forward foreign exchange	-	110,308
Interest rate swaps	775,000	675,000
	<u>775,000</u>	<u>785,308</u>

- 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 funds was above the minimum of RM1 million as at 31 December 2014.

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

31 December 2014	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Financial assets				
Financial assets held-for-trading				
- Money market instruments	-	13,777,808	-	13,777,808
- Quoted securities	840,533	-	-	840,533
- Unquoted securities	-	1,275,729	-	1,275,729
Financial investments available-for-sale				
- Money market instruments	-	8,111,834	-	8,111,834
- Quoted securities	11,268,369	-	-	11,268,369
- Unquoted securities	-	10,515,858	370,020	10,885,878
Derivative financial instruments	2,551	1,379,302	61,128	1,442,981
	<u>12,111,453</u>	<u>35,060,531</u>	<u>431,148</u>	<u>47,603,132</u>
Financial liabilities				
Derivative financial instruments	2,216	1,190,471	62,131	1,254,818
	<u>2,216</u>	<u>1,190,471</u>	<u>62,131</u>	<u>1,254,818</u>

30 June 2014	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Financial assets				
Financial assets held-for-trading				
- Money market instruments	-	11,563,582	-	11,563,582
- Quoted securities	1,074,389	-	-	1,074,389
- Unquoted securities	-	618,531	-	618,531
Financial investments available-for-sale				
- Money market instruments	-	7,486,250	-	7,486,250
- Quoted securities	10,161,271	-	-	10,161,271
- Unquoted securities	-	9,089,557	369,708	9,459,265
Derivative financial instruments	1,417	711,566	-	712,983
	<u>11,237,077</u>	<u>29,469,486</u>	<u>369,708</u>	<u>41,076,271</u>
Financial liabilities				
Derivative financial instruments	13,745	807,595	-	821,340
	<u>13,745</u>	<u>807,595</u>	<u>-</u>	<u>821,340</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 2014 - 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
31 December 2014				
<i>Recurring fair value measurements</i>				
<u>Financial assets</u>				
Derivative financial instruments	-	1,274	-	1,274
	-	1,274	-	1,274
<u>Financial liabilities</u>				
Derivative financial instruments	-	593	-	593
	-	593	-	593
30 June 2014				
<i>Recurring fair value measurements</i>				
<u>Financial assets</u>				
Derivative financial instruments	-	1,211	-	1,211
	-	1,211	-	1,211
<u>Financial liabilities</u>				
Derivative financial instruments	-	1,253	-	1,253
	-	1,253	-	1,253

The Company 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 2014 - RM Nil).

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

The Group	Financial investments available-for-sale	
	31/12/2014 RM'000	30/06/2014 RM'000
As at beginning of the financial period/year	369,708	332,796
Net fair value changes recognised in other comprehensive income	312	37,353
Redeemed during the period/year	-	(441)
As at end of the financial period/year	370,020	369,708
Total gain recognised in other comprehensive income relating to assets held at the end of financial period/year	312	37,353

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
BERHAD LISTING REQUIREMENTS**

1 Review of performance

Current quarter against previous corresponding quarter

HLFG Group recorded a profit before tax of RM796.1 million for the current quarter ended 31 December 2014 as compared to RM753.2 million in the previous corresponding quarter, an increase of RM42.9 million or 5.7%. The overall increase was mainly due to higher contribution from banking division.

Hong Leong Bank Group recorded a higher profit before tax of RM707.0 million for the current quarter ended 31 December 2014 as compared to RM663.4 million in the previous corresponding quarter, an increase of RM43.6 million or 6.6%. The increase in pre-tax profit was mainly due to higher write back on allowance for impairment losses on loans, advances and financing of RM74.5 million coupled with higher share of profit from Bank of Chengdu and Sichuan Jincheng Consumer Finance joint venture totaling RM6.7 million. This was however offset by lower net income of RM31.5 million, higher operating expenses of RM3.8 million and lower write back of impairment losses from securities of RM2.3 million.

HLA Holdings Group registered a profit before tax of RM70.6 million for the current quarter ended 31 December 2014 as compared to RM86.7 million in the previous corresponding quarter, a decrease of RM16.1 million or 18.6%. The decrease was largely due to lower net income of RM14.7 million and higher operating expense of RM1.9 million. This was mitigated by higher share of profit from associate company by RM0.5 million.

Hong Leong Capital Group recorded a profit before tax of RM15.3 million for the current quarter ended 31 December 2014 as compared to RM17.0 million in the previous corresponding quarter, a decrease of RM1.7 million or 10.0%. This was mainly due to lower contribution from its investment banking and stockbroking segments.

2 Current year-to-date against previous year-to-date

HLFG Group recorded a profit before tax of RM1,543.1 million for the period ended 31 December 2014 as compared to RM1,565.8 million in the previous corresponding period, with a decrease of RM22.7 million or 1.4%. The overall decrease in profit before tax was mainly due to lower contribution from insurance division, however this was mitigated by better performance from commercial banking division.

Hong Leong Bank Group recorded a higher profit before tax of RM1,411.0 million for the period ended 31 December 2014 as compared to RM1,362.7 million in the previous corresponding period, an increase of RM48.3 million or 3.5%. The increase was due to higher write back of allowance for impairment losses on loans, advances and financing of RM71.4 million, lower operating expenses of RM22.1 million and higher share of profit from Bank of Chengdu and Sichuan Jincheng Consumer Finance joint venture totaling RM13.9 million. This is however mitigated by lower net income by RM46.4 million and lower write back of impairment losses from securities of RM12.8 million.

HLA Holdings Group registered a profit before tax of RM111.3 million for the period ended 31 December 2014 as compared to RM167.8 million in the previous corresponding period, a decrease of RM56.5 million or 33.7%. The decrease was largely due to lower net income of RM60.4 million and higher operating expenses of RM1.3 million. This was mitigated by higher share of profit from associate company by RM5.2 million.

Hong Leong Capital Group recorded a profit before tax of RM34.3 million for the period ended 31 December 2014 as compared to RM35.4 million in the previous corresponding period, a decrease of RM1.1 million or 3.1%. This was mainly due to lower contribution from both its investment banking and stockbroking segment and fund management and unit trust management segments.

3 Current quarter against preceding quarter

HLFG Group recorded a profit before taxation of RM796.1 million for the current quarter ended 31 December 2014 as compared to RM747.0 million for the preceding quarter, an increase of RM49.1 million or 6.6%. The overall increase in profit before tax was mainly due to higher contribution from insurance division.

Hong Leong Bank Group recorded a profit before tax of RM707.0 million for the current quarter ended 31 December 2014 as compared to RM703.9 million in the preceding quarter, an increase of RM3.1 million or 0.4% arising from higher write back on allowance for impairment losses on loans, advances and financing of RM39.0 million and higher net income of RM8.9 million. This is however netted off by higher operating expenses of RM34.2 million, lower share of profit from Bank of Chengdu and Sichuan Jincheng Consumer Finance joint venture of RM7.5 million and lower write back of impairment losses from securities of RM3.1 million.

HLA Holdings Group recorded a profit before tax of RM70.6 million for the current quarter ended 31 December 2014 as compared to RM40.7 million in the preceding quarter, an increase of RM29.9 million or 73.5%. The increase was mainly due to higher net income of RM26.5 million and higher share of profit from associate company by RM5.5 million. This was offset by lower operating expenses of RM2.1 million.

Hong Leong Capital Group recorded a profit before tax of RM15.3 million for the current quarter ended 31 December 2014 as compared to RM19.0 million in the preceding quarter, a decrease of RM3.7 million or 19.5%. This was mainly due to lower contribution from its investment banking and stockbroking segments.

4 Prospects for the current year

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

5 Variance of actual profit from forecasted profit

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

6 Taxation

	The Group		The Group	
	Current quarter ended 31/12/2014 RM '000	Last year quarter ended 31/12/2013 RM '000	Current year to date 31/12/2014 RM '000	Last year to date 31/12/2013 RM '000
Malaysian income tax	167,365	119,692	328,024	291,202
Transfer (to)/from deferred tax	(817)	23,197	1,584	26,902
	166,548	142,889	329,608	318,104
Prior year over provision				
- Malaysia	(116)	(99)	(8,057)	(107)
	166,432	142,790	321,551	317,997

	The Company		The Company	
	Current quarter ended 31/12/2014 RM '000	Last year quarter ended 31/12/2013 RM '000	Current year to date 31/12/2014 RM '000	Last year to date 31/12/2013 RM '000
Malaysian income tax	-	85,795	1,071	85,795
Transfer to deferred tax	(484)	-	(1,313)	(287)
	(484)	85,795	(242)	85,508

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

7 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.

8 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.

9 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.

10 Borrowings

		The Group	
		As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
	Note		
Revolving credit	(i)	60,061	65,254
Commercial papers	(ii)	109,883	584,212
Medium term notes	(ii), (iii)	401,406	2,611,879
Term loans	(iv)	350,231	110,052
Senior bonds	(v)	2,110,672	1,936,207
		<u>3,032,253</u>	<u>5,307,604</u>
Repayment of revolving credit			
- less than one year		60,061	65,254
Repayment of commercial papers			
- less than one year		109,883	584,212
Repayment of medium term notes			
- less than one year		-	150,466
- one to three years		150,512	2,210,550
- three years and above		250,894	250,863
Repayment of term loans			
- less than one year		350,231	110,052
Repayment of senior bonds			
- one to three years		2,110,672	1,936,207
		<u>3,032,253</u>	<u>5,307,604</u>
		The Company	
		As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
	Note		
Revolving credit	(i)	60,061	65,254
Commercial papers	(ii)	109,883	584,212
Medium term notes	(ii)	401,406	551,824
Term loans	(iv)	350,231	110,052
		<u>921,581</u>	<u>1,311,342</u>
Repayment of revolving credit			
- less than one year		60,061	65,254
Repayment of commercial papers			
- less than one year		109,883	584,212
Repayment of medium term notes			
- less than one year		-	150,466
- one to three years		150,512	150,495
- three years and above		250,894	250,863
Repayment of term loans			
- less than one year		350,231	110,052
		<u>921,581</u>	<u>1,311,342</u>

10 Borrowings (continued)

- (i) The revolving credit facilities carried interest rates ranging from 3.66% to 3.77% (30 June 2014: ranging from 3.22% to 3.58%) 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 interest rates ranging from 3.65% to 3.79% (30 June 2014: 3.20% to 3.38%).

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 4.05% to 4.50% (30 June 2014: 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) On 14 August 2012, HLAH completed its RM2.0 billion MTN issuance under a proposed MTN Programme to raise funds for investment purpose. The MTN has a maturity of 5 years and has a call option to redeem the MTN at anytime.

On 12 September 2014, HLAH has fully redeemed the RM2.0 billion MTN.

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

- (a) an unsecured short-term loan facility of RM150 million maturing on 11 January 2015. The term loan with one month interest period bears interest rate ranging from 3.66% to 3.93% (30 June 2014: 3.62% to 3.65%) per annum.
- (b) an unsecured 1 year term loan of RM200 million maturing on 2 July 2015. The term loan with one month interest period bears interest rate ranging from 3.66% to 3.93% (30 June 2014: 3.62% to 3.65%) per annum.

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

	Note	The Group	
		As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
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		262,350	90,750
		<u>2,097,900</u>	<u>1,926,300</u>
Add: Interest payable		17,920	16,454
		<u>2,115,820</u>	<u>1,942,754</u>
Less: Unamortised discounts		(5,148)	(6,547)
		<u><u>2,110,672</u></u>	<u><u>1,936,207</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%.

11 Subordinated obligations

	Note	The Group	
		As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
RM700 million Tier 2 subordinated debt, at par	(a)	685,000	685,000
Add: Interest payable		12,802	12,535
		<u>697,802</u>	<u>697,535</u>
Less: Unamortised discounts		(64)	(207)
		<u>697,738</u>	<u>697,328</u>
RM1.0 billion Tier 2 subordinated debt, at par	(b)	1,000,000	1,000,000
Add: Interest payable		6,793	6,793
		<u>1,006,793</u>	<u>1,006,793</u>
Less: Unamortised discounts		(306)	(570)
		<u>1,006,487</u>	<u>1,006,223</u>
Subordinated medium term notes, at par	(c)	500,000	750,000
Add: Interest payable		130	1,207
		<u>500,130</u>	<u>751,207</u>
Less: Unamortised discounts		(690)	(1,138)
Add: Fair value adjustments on completion of business combination accounting		(168)	210
		<u>499,272</u>	<u>750,279</u>
RM1.5 billion Tier 2 subordinated debt, at par	(d)	1,500,000	1,500,000
Add: Interest payable		1,849	1,479
		<u>1,501,849</u>	<u>1,501,479</u>
Less: Unamortised discounts		(1,291)	(1,590)
		<u>1,500,558</u>	<u>1,499,889</u>
RM500 million Tier 2 subordinated debt, at par	(e)	500,000	500,000
Add: Interest payable		9,000	8,815
		<u>509,000</u>	<u>508,815</u>
Less: Unamortised discounts		(1,885)	(1,974)
		<u>507,115</u>	<u>506,841</u>
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(f)	400,000	400,000
Add: Interest payable		789	736
		<u>400,789</u>	<u>400,736</u>
Less: Unamortised discounts		(538)	(658)
		<u>400,251</u>	<u>400,078</u>
RM500 million Tier 2 subordinated notes, at par	(g)	500,000	500,000
Add: Interest payable		592	526
		<u>500,592</u>	<u>500,526</u>
Less: Unamortised discounts		(1,264)	(1,550)
		<u>499,328</u>	<u>498,976</u>
RM500 million Tier 2 subordinated notes, at par	(h)	50,000	-
Add: Interest payable		406	-
		<u>50,406</u>	<u>-</u>
Less: Unamortised discounts		(201)	-
		<u>50,205</u>	<u>-</u>
		<u>5,160,954</u>	<u>5,359,614</u>

11 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.

- (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.

- (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.

11 Subordinated obligations (continued)

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

- (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 HLFGB, 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.

12 Non-innovative Tier 1 stapled securities

	The Group	
	As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
RM1.4 billion Non-Innovative Tier 1 stapled securities, at par	1,400,000	1,400,000
Add: Interest payable	11,041	11,041
	<u>1,411,041</u>	<u>1,411,041</u>
Less: Unamortised discounts	(424)	(789)
	<u><u>1,410,617</u></u>	<u><u>1,410,252</u></u>

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

The NIT-1 stapled securities constitute unsecured liabilities of 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.

13 Innovative Tier 1 capital securities

	The Group	
	As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
RM500 million Innovative Tier 1 capital securities, at par	500,000	500,000
Add: Interest payable	12,770	12,771
	<u>512,770</u>	<u>512,771</u>
Less: Unamortised discounts	(8,062)	(8,746)
Add: Fair value adjustments on completion of business combination accounting	30,940	37,742
	<u><u>535,648</u></u>	<u><u>541,767</u></u>

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.

14 Off-Balance Sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 December 2014

The Group

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	36,167,825	775,017	(440,309)
(ii) 1 year to 3 years	274,946	15,150	(2,170)
- Swaps			
(i) Less than 1 year	7,847,095	111,551	(125,147)
(ii) 1 year to 3 years	1,601,359	53,364	(92,454)
(iii) More than 3 years	3,340,411	135,144	(161,788)
- Options			
(i) Less than 1 year	3,290,353	38,262	(34,708)
- Spots			
(i) Less than 1 year	108	-	-
Interest rate related contracts			
- Futures			
(i) Less than 1 year	4,414,847	1,729	(725)
(ii) 1 year to 3 years	210,174	267	(5)
- Swaps			
(i) Less than 1 year	16,392,644	23,431	(25,875)
(ii) 1 year to 3 years	28,967,407	89,671	(76,690)
(iii) More than 3 years	22,726,289	192,274	(293,725)
Equity related contracts			
(i) Less than 1 year	226,900	1,222	(1,222)
(ii) 1 year to 3 years	10,000	4,941	-
(iii) More than 3 years	1,500	958	-
Total	125,471,858	1,442,981	(1,254,818)

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	1,274	(593)
Total	775,000	1,274	(593)

14 Off-Balance Sheet financial instruments (continued)

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

The Group

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	32,432,966	192,759	(240,251)
(ii) 1 year to 3 years	351,223	2,160	(3,928)
- Swaps			
(i) Less than 1 year	7,232,436	75,238	(53,666)
(ii) 1 year to 3 years	831,697	30,583	(26,381)
(iii) More than 3 years	3,785,219	74,337	(76,319)
- Options			
(i) Less than 1 year	4,236,390	12,282	(12,940)
- Spots			
(i) Less than 1 year	255	-	-
Interest rate related contracts			
- Futures			
(i) Less than 1 year	29,035,661	1,196	(3,015)
(ii) 1 year to 3 years	9,071,717	868	(1,359)
- Swaps			
(i) Less than 1 year	16,723,860	12,255	(18,607)
(ii) 1 year to 3 years	24,064,854	66,960	(80,927)
(iii) More than 3 years	27,303,710	239,345	(302,798)
Equity related contracts			
(i) Less than 1 year	207,936	1,149	(1,149)
(ii) 1 year to 3 years	94,310	-	-
(iii) More than 3 years	11,500	3,851	-
Total	155,383,734	712,983	(821,340)

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	110,308	423	-
Interest rate related contracts			
- Swaps			
(i) 1 year to 3 years	675,000	788	(1,253)
Total	785,308	1,211	(1,253)

14 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 RM332,637,612 (FYE June 2014: RM2,836,683,390) and RM67,609,840,366 (FYE June 2014: RM75,231,277,308) respectively.

Derivatives

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

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial year, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM1,477,882,659 (FYE June 2014: RM796,624,194). 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.

14 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.

15 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.

16 HLFG Dividends

For the financial period ended 31 December 2014, a single-tier dividend of 13 sen per share was declared (31 December 2013: 13 sen per share) and paid on 23 December 2014.

17 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 31/12/2014 RM '000	Last year quarter ended 31/12/2013 RM '000	Current year to date 31/12/2014 RM '000	Last year to date 31/12/2013 RM '000
Net profit attributable to equity holders of the Company	423,839	411,753	815,994	841,942
Weighted average number of ordinary shares ('000)	1,047,663	1,042,847	1,047,663	1,042,847
Basic earnings per share (Sen)	40.5	39.5	77.9	80.7

	The Company		The Company	
	Current quarter ended 31/12/2014 RM '000	Last year quarter ended 31/12/2013 RM '000	Current year to date 31/12/2014 RM '000	Last year to date 31/12/2013 RM '000
Net profit attributable to equity holders of the Company	418,616	241,618	502,681	223,747
Weighted average number of ordinary shares ('000)	1,049,767	1,045,423	1,049,767	1,045,423
Basic earnings per share (Sen)	39.9	23.1	47.9	21.4

(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 31/12/2014 RM '000	Last year quarter ended 31/12/2013 RM '000	Current year to date 31/12/2014 RM '000	Last year to date 31/12/2013 RM '000
Net profit attributable to equity holders of the Company	423,839	411,753	815,994	841,942
Weighted average number of ordinary shares ('000)				
- during the period	1,047,663	1,042,847	1,047,663	1,042,847
- adjustment for ESOS	974	2,313	974	2,313
	<u>1,048,637</u>	<u>1,045,160</u>	<u>1,048,637</u>	<u>1,045,160</u>
Fully diluted earnings per share (Sen)	40.4	39.4	77.8	80.6

	The Company		The Company	
	Current quarter ended 31/12/2014 RM '000	Last year quarter ended 31/12/2013 RM '000	Current year to date 31/12/2014 RM '000	Last year to date 31/12/2013 RM '000
Net profit attributable to equity holders of the Company	418,616	241,618	502,681	223,747
Weighted average number of ordinary shares ('000)				
- during the period	1,049,767	1,045,423	1,049,767	1,045,423
- adjustment for ESOS	955	2,080	955	2,080
	<u>1,050,722</u>	<u>1,047,503</u>	<u>1,050,722</u>	<u>1,047,503</u>
Fully diluted earnings per share (Sen)	39.8	23.1	47.8	21.4

18 Realised and unrealised profit

	The Group	
	As at 31/12/2014 RM '000	As at 30/06/2014 RM '000
Total retained profits of the Group and its subsidiaries		
- Realised	18,074,798	18,663,319
- Unrealised	2,348,506	1,325,961
Total share of retained profits from associated companies		
- Realised	1,725,856	1,513,429
- Unrealised	2,315	1,574
Total share of retained profits from joint ventures		
- Realised	18,028	12,587
	<u>22,169,503</u>	<u>21,516,870</u>
Less: Consolidation adjustments	(14,258,850)	(14,069,318)
Total Group's retained profits as per consolidated accounts	<u><u>7,910,653</u></u>	<u><u>7,447,552</u></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 25 February 2015