

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

	<b>As at 30/06/2015 RM '000</b>	<b>As at 30/06/2014 RM '000</b>
<b>THE GROUP</b>		
<b><u>Assets</u></b>		
Cash and short term funds	8,463,194	17,084,360
Deposits and placements with banks and other financial institutions	4,325,129	4,494,097
Securities purchased under resale agreements	12,163,252	2,997,197
Financial assets held-for-trading	9,238,804	13,256,502
Financial investments available-for-sale	29,623,057	27,106,786
Financial investments held-to-maturity	10,941,838	9,851,132
Derivative financial instruments	1,468,084	712,983
Loans, advances and financing	113,111,668	103,665,448
Clients' and brokers' balances	337,631	430,804
Other receivables	1,417,681	695,280
Statutory deposits with Central Banks	3,532,372	3,181,392
Tax recoverable	49,961	11,349
Investment in associates	3,740,302	2,796,943
Investment in joint ventures	129,230	90,912
Property and equipment	1,149,955	1,030,256
Goodwill	2,410,644	2,410,644
Intangible assets	337,842	360,921
<b>Total Assets</b>	<b>202,440,644</b>	<b>190,177,006</b>
<b><u>Liabilities</u></b>		
Deposits from customers	140,955,465	130,632,286
Deposits and placements of banks and other financial institutions	8,943,622	9,166,255
Obligations on securities sold under repurchase agreements	3,691,338	4,295,975
Bills and acceptances payable	1,900,967	358,732
Derivatives financial instruments	1,369,365	821,340
Clients' and brokers' balances	192,728	337,686
Payables and other liabilities	5,796,694	6,269,319
Provision for claims	128,905	67,088
Provision for taxation	168,926	38,583
Deferred tax liabilities	171,845	210,017
Borrowings	3,096,882	5,307,604
Subordinated obligations	5,161,255	5,359,614
Non-innovative Tier 1 stapled securities	1,410,869	1,410,252
Innovative Tier 1 capital securities	530,223	541,767
Insurance funds	9,457,257	8,355,757
<b>Total Liabilities</b>	<b>182,976,341</b>	<b>173,172,275</b>
<b><u>Equity</u></b>		
Share capital	1,052,768	1,052,768
Capital reserves	4,083,755	2,712,327
Retained profits	7,816,792	7,447,552
Fair value reserve	170,409	287,257
Treasury shares for ESOS	(12,698)	(25,422)
<b>Total shareholders' equity</b>	<b>13,111,026</b>	<b>11,474,482</b>
Non-controlling interests	6,353,277	5,530,249
<b>Total Equity</b>	<b>19,464,303</b>	<b>17,004,731</b>
<b>Total Liabilities and Equity</b>	<b>202,440,644</b>	<b>190,177,006</b>
<b>Commitment and Contingencies</b>	<b>157,622,016</b>	<b>199,880,534</b>
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)	12.48	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 YEAR ENDED 30 JUNE 2015**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2015	quarter ended 30/06/2014	to date 30/06/2015	to date 30/06/2014
<b>THE GROUP</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Interest income	1,578,114	1,422,067	6,250,419	5,762,401
Interest expense	(920,204)	(790,138)	(3,540,724)	(3,287,992)
Net interest income	657,910	631,929	2,709,695	2,474,409
Net income from Islamic banking business	104,795	104,229	419,758	434,379
Non-interest income	456,221	420,457	1,361,491	1,640,375
Net income	1,218,926	1,156,615	4,490,944	4,549,163
Overhead expenses	(532,397)	(530,021)	(2,000,263)	(1,966,083)
Operating profit before allowances (Allowance for)/Writeback of impairment losses on loans, advances and financing and other losses	686,529	626,594	2,490,681	2,583,080
(Allowance for)/Writeback of impairment losses	(22,510)	(24,595)	52,644	(52,425)
	(9,734)	744	2,603	39,639
	654,285	602,743	2,545,928	2,570,294
Share of results of associates	122,482	109,531	463,297	429,576
Share of results of joint ventures	3,687	3,337	14,060	9,353
Profit before taxation	780,454	715,611	3,023,285	3,009,223
Taxation	(90,791)	(55,893)	(562,908)	(491,867)
Net profit for the financial year	689,663	659,718	2,460,377	2,517,356
Attributable to:				
Owners of the parent	441,250	450,255	1,620,743	1,706,877
Non-controlling interests	248,413	209,463	839,634	810,479
Net profit for the financial year	689,663	659,718	2,460,377	2,517,356
Earnings per share - basic (sen)	42.0	43.0	154.3	162.9
Earnings per share - fully diluted (sen)	42.0	42.9	154.3	162.8

*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 YEAR ENDED 30 JUNE 2015**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/06/2015 RM '000	Last year quarter ended 30/06/2014 RM '000	Current year to date 30/06/2015 RM '000	Last year to date 30/06/2014 RM '000
<b>THE GROUP</b>				
Net profit for the financial year	689,663	659,718	2,460,377	2,517,356
Other comprehensive income/(loss):				
<u>Items that may be reclassified subsequently to profit or loss:</u>				
Share of other comprehensive income/ (loss) of associated companies	2,576	(3,140)	10,156	(3,162)
Net fair value changes in financial investments available-for-sale	(19,732)	132,905	(169,013)	64,036
Net fair value changes in cash flow hedge	1,002	-	216	-
Currency translation differences	603,984	(18,579)	714,895	10,784
Income tax relating to components of other comprehensive income/(loss)	4,682	(33,226)	42,199	(16,009)
Total comprehensive income for the financial year, net of tax	<u>1,282,175</u>	<u>737,678</u>	<u>3,058,830</u>	<u>2,573,005</u>
Attributable to:				
Owners of the parent	830,774	527,866	1,980,613	1,754,067
Non-controlling interests	451,401	209,812	1,078,217	818,938
	<u>1,282,175</u>	<u>737,678</u>	<u>3,058,830</u>	<u>2,573,005</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 30 JUNE 2015**

	<b>As at 30/06/2015 RM '000</b>	<b>As at 30/06/2014 RM '000</b>
<b>THE COMPANY</b>		
<b><u>Assets</u></b>		
Cash and short term funds	8,345	6,882
Deposits and placements with banks and other financial institutions	8,888	8,762
Derivative financial instruments	126	1,211
Other receivables	788	56,611
Tax recoverable	9,771	10,800
Deferred tax assets	2,170	3,550
Investment in subsidiary companies	15,007,609	14,986,980
Property and equipment	2,375	1,798
Intangible assets	213	172
<b>Total Assets</b>	<b>15,040,285</b>	<b>15,076,766</b>
<b><u>Liabilities</u></b>		
Derivative financial instruments	1,158	1,253
Payables and other liabilities	11,103	17,112
Borrowings	860,666	1,311,342
<b>Total Liabilities</b>	<b>872,927</b>	<b>1,329,707</b>
<b><u>Financed by:</u></b>		
Share capital	1,052,768	1,052,768
Capital reserves	372,220	376,858
Retained profits	12,742,372	12,332,614
Treasury shares for ESOS	(2)	(15,181)
<b>Total Equity</b>	<b>14,167,358</b>	<b>13,747,059</b>
<b>Total Liabilities and Equity</b>	<b>15,040,285</b>	<b>15,076,766</b>
<b>Commitment and Contingencies</b>	<b>775,000</b>	<b>785,308</b>

*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 YEAR ENDED 30 JUNE 2015**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2015	quarter ended 30/06/2014	to date 30/06/2015	to date 30/06/2014
<b>THE COMPANY</b>	RM '000	RM '000	RM '000	RM '000
Interest income	347	884	3,457	3,345
Interest expense	(7,473)	(11,473)	(42,753)	(50,114)
Net interest expense	(7,126)	(10,589)	(39,296)	(46,769)
Non-interest income	82,010	6,974	851,005	531,723
Net income	74,884	(3,615)	811,709	484,954
Overhead expenses	(973)	(11,006)	(21,396)	(33,983)
Allowance for impairment loss	(1,264)	-	(3,266)	-
Profit/(loss) before taxation	72,647	(14,621)	787,047	450,971
Taxation	(1,769)	1,500	(4,472)	(76,394)
Net profit/(loss) for the financial year	70,878	(13,121)	782,575	374,577
Earnings per share - basic (sen)	6.7	(1.2)	74.3	35.7
Earnings per share - fully diluted (sen)	6.7	(1.2)	74.3	35.7

**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2015	quarter ended 30/06/2014	to date 30/06/2015	to date 30/06/2014
<b>THE COMPANY</b>	RM '000	RM '000	RM '000	RM '000
Net profit/(loss) for the financial year	70,878	(13,121)	782,575	374,577
Other comprehensive income for the financial year	-	-	-	-
Total comprehensive income/(loss) for the financial year, net of tax	70,878	(13,121)	782,575	374,577

*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 YEAR ENDED 30 JUNE 2015**

	<b>The Group</b>		<b>The Company</b>	
	<b>30/06/2015</b>	<b>30/06/2014</b>	<b>30/06/2015</b>	<b>30/06/2014</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Profit before taxation	3,023,285	3,009,223	787,047	450,971
Adjustment for non-cash items	181,474	221,201	(805,953)	(475,619)
Operating profit before working capital changes	3,204,759	3,230,424	(18,906)	(24,648)
Income tax (paid)/refunded	(513,390)	(646,077)	(2,063)	17,429
Interest received	3,457	3,345	3,457	3,345
Changes in working capital				
Net changes in operating assets	(15,242,738)	(2,124,816)	60,626	15,240
Net changes in operating liabilities	10,605,785	6,495,904	(6,105)	(4,900)
Net cash (used in)/generated from operating activities	(1,942,127)	6,958,780	37,009	6,466
<b>Cash flow from investing activities</b>				
Net purchases of financial investments available-for-sale	(3,192,666)	(4,571,741)	-	-
Net purchases of financial investments held-to-maturity	(1,090,356)	(5,033,660)	-	-
Interest received on financial investments available-for-sale and held-to-maturity	732,098	620,895	-	-
Purchase of intangible assets	(49,672)	(88,478)	(137)	(185)
Purchase of property and equipment	(200,639)	(121,536)	(1,142)	(1,329)
Proceeds from disposal of property and equipment	236	13,182	320	342
Dividends received from other investments	181,235	271,284	699	640
Dividends received from subsidiaries	-	-	845,482	430,674
Dividends received from associated companies	121,652	56,086	-	-
Subscription of shares in joint venture	(1,638)	(1,628)	-	-
Subscription of ordinary shares in subsidiary company	-	-	(11,352)	-
Subscription of redeemable preference shares	-	-	(52,600)	(1,660)
Proceeds from redemption of redeemable preference shares	-	-	40,058	120,028
Net cash (used in)/generated from investing activities	(3,499,750)	(8,855,596)	821,328	548,510
<b>Cash flow from financing activities</b>				
Dividends paid to equity holders of the Company	(399,656)	(398,347)	(399,656)	(398,347)
Dividends paid to non-controlling interests	(283,254)	(253,003)	-	-
Purchase of treasury shares	(2,695)	-	-	-
Cash received from ESOS exercised	38,747	53,757	35,310	43,269
(Repayment)/drawdown of revolving credit	(65,000)	65,000	(65,000)	65,000
Redemption of medium term notes and commercial paper	(2,410,165)	(40,000)	(360,000)	(40,000)
Repayment of term loans	(25,000)	(180,000)	(25,000)	(180,000)
(Repayment)/proceeds of subordinated obligations	(200,000)	490,000	-	-
Interest paid on subordinated obligations	(228,847)	(217,439)	-	-
Interest paid on borrowings	(198,722)	(279,510)	(43,428)	(49,878)
Interest paid on non-innovative Tier 1 stapled securities	(71,318)	(71,245)	-	-
Interest paid on innovative Tier 1 capital securities	(30,516)	(26,749)	-	-
Net cash used in financing activities	(3,876,426)	(857,536)	(857,774)	(559,956)
<b>Changes in cash and cash equivalents</b>	<b>(9,318,303)</b>	<b>(2,754,352)</b>	<b>563</b>	<b>(4,980)</b>
<b>Effect of change in foreign exchange rate</b>	<b>696,237</b>	<b>39,932</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents as at 1 July</b>	<b>17,084,360</b>	<b>19,797,580</b>	<b>6,882</b>	<b>10,662</b>
<b>Cash and cash equivalents as at 30 June</b>	<b>8,462,294</b>	<b>17,083,160</b>	<b>7,445</b>	<b>5,682</b>
<b>Analysis of cash and cash equivalent</b>				
<b>Cash and short terms funds</b>	<b>8,463,194</b>	<b>17,084,360</b>	<b>8,345</b>	<b>6,882</b>
<b>Less: restricted cash</b>	<b>(900)</b>	<b>(1,200)</b>	<b>(900)</b>	<b>(1,200)</b>
	<b>8,462,294</b>	<b>17,083,160</b>	<b>7,445</b>	<b>5,682</b>

*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 YEAR ENDED 30 JUNE 2015**

**1. Basis of preparation**

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

(i) 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 119	“Employee benefits”
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.

(ii) Guidelines issued by BNM on Maintenance of Regulatory Reserve

On 4 February 2014, BNM issued a letter requiring banking institutions to maintain, in aggregate, collective impairment allowance and regulatory reserve of no less than 1.20% of total outstanding loans/financing, net of individual impairment allowance, pursuant to paragraph 15 of the BNM's Policy Document on *Classification and Impairment Provisions for Loans/Financing*.

The regulatory reserve is maintained in addition to the collective impairment allowance required under the MFRS 139 Financial Instruments: Recognition and Measurement, and it will be set aside from the retained profits to a separate reserve within equity as an additional credit risk absorbent. Banking institutions are required to comply with this requirement by 31 December 2015.

During the financial year, the Group have transferred RM391.14 million from its retained profits to regulatory reserves in accordance with BNM's requirements. The early adoption of this requirement ahead of BNM's requirement by 31 December 2015 did not have any impact to the profit or loss of the Group.

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 year.

**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 year ended 30 June 2015 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 year ended 30 June 2015, a total of 3,000,000 ordinary shares of RM1 each were exercised pursuant to the Company's ESOS at the granted exercise price of RM11.77.

The remaining number of shares held by the appointed trustee for the Company as at 30 June 2015 was 408 units at an average price of RM5.06 per share and the total consideration paid, including transaction costs was RM2,000.

During the financial year ended 30 June 2015, the insurance company purchased 177,500 units of shares for RM2,695,000. A total of 50,300 ordinary shares of RM1 each were exercised pursuant to the Company's ESOS at the granted exercise price of RM8.09.

The remaining number of shares held by the appointed trustee for the insurance subsidiary companies as at 30 June 2015 was 2,281,492 units at an average price of RM5.56 per share with total consideration paid, including transaction costs was RM12,696,000 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.

d) Repayment of RM2.0 billion MTN

On 12 September 2014, HLAH has fully redeemed of RM2.0 billion MTN originally issued for investment purpose.

## 7. Dividends paid

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

Second interim single tier dividend of 25.0 sen per share amounting to RM263.2 million was paid on 26 June 2015.

## 8. Segmental reporting

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

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

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

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

### Business segments

The Group comprises the following main business segments:

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

## 8. Segmental reporting (continued)

The Group 30 June 2015	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>Revenue for the year ended</b>						
External revenue	4,016,311	181,481	314,395	(21,243)	-	4,490,944
Intersegment revenue	50,637	1,843	5,486	861,235	(919,201)	-
	<u>4,066,948</u>	<u>183,324</u>	<u>319,881</u>	<u>839,992</u>	<u>(919,201)</u>	<u>4,490,944</u>
<b>Results for the year ended</b>						
Segment results	2,328,480	78,508	225,289	815,166	(901,515)	2,545,928
Share of results of associates						463,297
Share of results of joint ventures						14,060
Profit before taxation						<u>3,023,285</u>
Taxation						(562,908)
Net profit for the financial year						<u>2,460,377</u>
Non-controlling interests						(839,634)
Profit attributable to owners of the parent						<u><u>1,620,743</u></u>
<b>Other information</b>						
Segment assets	184,019,735	3,621,963	14,618,735	15,202,651	(15,022,440)	<u>202,440,644</u>
Segment liabilities	167,230,143	2,974,065	12,241,548	872,517	(341,932)	<u>182,976,341</u>

## 8. Segmental reporting (continued)

The Group 30 June 2014	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>Revenue for the year ended</b>						
External revenue	4,024,501	188,643	340,180	(4,161)	-	4,549,163
Intersegment revenue	14,558	2,825	2,226	530,597	(550,206)	-
	<u>4,039,059</u>	<u>191,468</u>	<u>342,406</u>	<u>526,436</u>	<u>(550,206)</u>	<u>4,549,163</u>
<b>Results for the year ended</b>						
Segment results	2,234,596	78,875	286,230	492,174	(521,581)	2,570,294
Share of results of associates						429,576
Share of results of joint ventures						9,353
Profit before taxation						<u>3,009,223</u>
Taxation						(491,867)
Net profit for the financial year						<u>2,517,356</u>
Non-controlling interests						(810,479)
Profit attributable to owners of the parent						<u><u>1,706,877</u></u>
<b>Other information</b>						
Segment assets	170,350,803	4,228,211	15,267,310	15,353,645	(15,022,963)	<u>190,177,006</u>
Segment liabilities	155,820,625	3,625,805	12,758,646	1,420,695	(453,496)	<u>173,172,275</u>

## 9. Financial assets held-for-trading

	<b>The Group</b>	
	<b>As at 30/06/2015 RM '000</b>	<b>As at 30/06/2014 RM '000</b>
Money market instruments:		
Government treasury bills	78,632	197,064
Malaysian Government securities	120,509	33,224
Negotiable instruments of deposit	5,485,337	9,274,432
Bankers' acceptances and Islamic accepted bills	457,179	576,717
Bank Negara Malaysia bills	383,325	848,000
Malaysian Government investment certificates	609,725	528,352
Cagamas bonds	36,450	65,787
Khazanah bonds	-	37,439
Other government securities	33,035	2,567
	<u>7,204,192</u>	<u>11,563,582</u>
Quoted securities:		
Shares in Malaysia	515,312	553,550
Shares outside Malaysia	92,789	187,200
Foreign currency bonds in Malaysia	375,822	243,175
Unit trust investments	189,412	89,452
Warrants quoted in Malaysia	129	1,012
	<u>1,173,464</u>	<u>1,074,389</u>
Unquoted securities:		
Foreign currency bonds in Malaysia	14,988	97,594
Foreign currency bonds outside Malaysia	50,876	36,772
Private and Islamic debts securities	795,284	484,165
	<u>861,148</u>	<u>618,531</u>
Total financial assets held-for-trading	<u><u>9,238,804</u></u>	<u><u>13,256,502</u></u>

## 10. Financial investments available-for-sale

	The Group	
	As at 30/06/2015 RM '000	As at 30/06/2014 RM '000
Money market instruments:		
Government treasury bills	168,553	546,703
Malaysian Government securities	486,964	1,645,275
Malaysian Government investment certificates	3,541,575	2,677,845
Khazanah bonds	345,140	208,615
Caqamas bonds	905,342	965,610
Other government securities	1,580,814	1,442,202
	<u>7,028,388</u>	<u>7,486,250</u>
Quoted securities:		
Shares in Malaysia	1,246,807	1,319,110
Shares outside Malaysia	239,995	230,410
Foreign currency bonds in Malaysia	4,380,452	3,224,143
Foreign currency bonds outside Malaysia	1,452,826	727,868
Warrants in Malaysia	1,016	1,062
Unit trust investments	3,591,062	4,658,678
	<u>10,912,158</u>	<u>10,161,271</u>
Unquoted securities :		
Shares in Malaysia	393,145	366,202
Shares outside Malaysia	4,134	3,506
Foreign currency bonds in Malaysia	358,364	183,822
Foreign currency bonds outside Malaysia	419,344	353,498
Investment-linked funds	300	300
Private debt securities	10,507,224	8,551,937
	<u>11,682,511</u>	<u>9,459,265</u>
Total financial investments available-for-sale	<u>29,623,057</u>	<u>27,106,786</u>

## 11. Financial investments held-to-maturity

	The Group	
	As at 30/06/2015 RM '000	As at 30/06/2014 RM '000
Money market instruments:		
Malaysian Government securities	3,003,596	3,120,731
Malaysian Government investment certificates	6,549,704	5,399,565
Negotiable instruments of deposit	2,338	55,217
Caqamas bonds	30,454	96,455
Other Government securities	335,159	253,646
	<u>9,921,251</u>	<u>8,925,614</u>
Unquoted securities:		
Loan stocks	49	49
Private and Islamic debt securities	717,665	678,317
Foreign currency bonds in Malaysia	98,029	49,047
Foreign currency bonds outside Malaysia	150,358	145,619
Unquoted bonds	486	486
Investment in preference shares	54,000	52,000
	<u>1,020,587</u>	<u>925,518</u>
Total financial investments held-to-maturity	<u>10,941,838</u>	<u>9,851,132</u>

## 12. Loans, advances and financing

	The Group	
	As at 30/06/2015 RM '000	As at 30/06/2014 RM '000
Overdrafts	4,005,025	4,104,535
Term loans:		
- Housing and shop loans/financing	53,828,770	46,563,762
- Syndicated term loan/financing	9,181,713	7,939,722
- Hire purchase receivables	18,099,246	17,405,481
- Other term loans/financing	8,676,463	8,684,556
Credit/charge card receivables	3,889,314	4,192,192
Bills receivables	1,166,833	1,116,670
Trust receipts	322,780	296,587
Claims on customers under acceptance credits	7,369,680	8,118,324
Block discounting	14	253
Revolving credits	6,549,079	5,545,623
Policy and premium loans	661,576	654,958
Staff loans/financing	167,557	172,011
Other loans/financing	488,802	461,848
Gross loans, advances and financing	114,406,852	105,256,522
Unamortised fair value changes arising from terminated fair value hedges	(2,188)	(1,516)
Allowance for impaired loans, advances and financing:		
- collective assessment allowance	(969,925)	(1,077,911)
- individual assessment allowance	(323,071)	(511,647)
Total net loans, advances and financing	113,111,668	103,665,448

### (a) By type of customer

	The Group	
	As at 30/06/2015 RM '000	As at 30/06/2014 RM '000
Domestic non-bank financial institutions	638,549	278,231
Domestic business enterprises		
- small and medium enterprises	17,816,923	16,368,945
- others	18,531,751	19,298,810
Government and statutory bodies	24,448	28,345
Individuals	71,743,193	64,825,999
Other domestic entities	171,386	158,579
Foreign entities	5,480,602	4,297,613
Gross loans, advances and financing	114,406,852	105,256,522

### (b) By interest/profit rate sensitivity

	The Group	
	As at 30/06/2015 RM '000	As at 30/06/2014 RM '000
Fixed rate		
- Housing and shop loans/financing	3,575,505	2,838,669
- Hire purchase receivables	17,537,151	17,254,282
- Other fixed rate loan/financing	8,041,365	7,559,790
Variable rate		
- Base lending rate plus	68,912,319	61,970,968
- Cost plus	16,021,109	15,320,089
- Other variables rates	319,403	312,724
Gross loans, advances and financing	114,406,852	105,256,522

## 12. Loans, advances and financing (continued)

### (c) By economic purpose

	The Group	
	As at 30/06/2015 RM '000	As at 30/06/2014 RM '000
Purchase of securities	927,652	1,054,079
Purchase of transport vehicles	18,020,608	17,292,319
Purchase of landed properties		
- residential	45,307,229	39,001,580
- non-residential	14,231,669	12,370,138
Purchase of fixed assets (excluding landed properties)	462,979	530,527
Personal use	3,523,573	3,370,722
Credit card	3,889,314	4,192,192
Purchase of consumer durables	418	445
Construction	1,257,882	1,163,043
Mergers and acquisition	258,988	303,096
Working capital	23,536,346	22,713,474
Other purpose	2,990,194	3,264,907
Gross loans, advances and financing	114,406,852	105,256,522

### (d) By geographical distribution

	The Group	
	As at 30/06/2015 RM '000	As at 30/06/2014 RM '000
Malaysia	110,271,571	102,176,684
Singapore	3,529,821	2,675,129
Hong Kong	20,063	4,816
Vietnam	319,403	312,724
Cambodia	265,994	87,169
Gross loans, advances and financing	114,406,852	105,256,522

### (e) By residual contractual maturity

	The Group	
	As at 30/06/2015 RM '000	As at 30/06/2014 RM '000
Within one year	28,841,122	27,881,173
One year to less than three years	7,851,837	8,208,065
Three years to less than five years	10,277,792	9,726,789
Five years and more	67,436,101	59,440,495
Gross loans, advances and financing	114,406,852	105,256,522

## 12. Loans, advances and financing (continued)

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

	The Group	
	As at	As at
	30/06/2015	30/06/2014
	RM '000	RM '000
Purchase of securities	235	758
Purchase of transport vehicles	184,180	225,812
Purchase of landed properties		
- residential	207,744	214,321
- non-residential	46,190	47,737
Purchase of fixed assets (excluding landed properties)	34,188	37,484
Personal use	34,714	34,940
Credit card	42,907	53,058
Purchase of consumer durables	4	4
Construction	4,114	4,379
Working capital	365,444	572,014
Other purpose	28,863	42,081
Gross impaired loans, advances and financing	948,583	1,232,588

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

	The Group	
	As at	As at
	30/06/2015	30/06/2014
	RM '000	RM '000
Malaysia	935,858	1,219,374
Vietnam	12,725	13,214
Gross impaired loans, advances and financing	948,583	1,232,588

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

	The Group	
	As at	As at
	30/06/2015	30/06/2014
	RM '000	RM '000
As at beginning of the financial year	1,232,588	1,360,566
Impaired during the financial year	1,525,362	1,705,583
Performing during the financial year	(792,443)	(897,336)
Amount written back in respect of recoveries	(480,823)	(507,495)
Amount written off	(541,798)	(431,273)
Exchange differences	5,697	2,543
As at end of the financial year	948,583	1,232,588
Gross impaired loan as a % of gross loans, advances and financing	0.8%	1.2%

## 12. Loans, advances and financing (continued)

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

	The Group	
	As at 30/06/2015 RM '000	As at 30/06/2014 RM '000
<u>Collective assessment allowance</u>		
As at beginning of the financial year	1,077,911	1,260,301
Net allowance made during the year	213,042	255,275
Amount transferred to individual assessment allowance	(94)	(1,915)
Amount written off	(310,003)	(367,890)
Unwinding income	(12,129)	(68,545)
Exchange differences	1,198	685
As at end of the financial year	969,925	1,077,911
Collective assessment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing less individual impairment allowance	1.19%	1.03%
<u>Individual assessment allowance</u>		
As at beginning of the financial year	511,647	526,270
Net allowance made during the year	80,769	140,025
Amount transferred from collective assessment allowance	94	1,915
Amount transfer to allowance for impairment losses on securities	(5,274)	-
Amount written back in respect of recoveries	(130,671)	(108,868)
Amount written off	(132,862)	(41,618)
Unwinding income	(5,360)	(7,112)
Exchange differences	4,728	1,035
As at end of the financial year	323,071	511,647

## 13. Other receivables

	The Group	
	As at 30/06/2015 RM '000	As at 30/06/2014 RM '000
Investment properties	1,848	1,760
Foreclosed properties	1,023	1,112
Sundry debtors and other prepayments	259,729	132,150
Treasury related receivable	429,244	3,260
Fee income receivable	7,123	33,943
Collateral pledged for derivative transactions	518,448	243,985
Other receivables	200,266	279,070
	1,417,681	695,280
	<b>The Company</b>	
	As at 30/06/2015 RM '000	As at 30/06/2014 RM '000
Amount due from subsidiary companies	179	54,535
Sundry debtors and other prepayments	381	932
Other receivables	228	1,144
	788	56,611

#### 14. Deposits from customers

##### (a) By type of deposits

	The Group	
	As at 30/06/2015 RM '000	As at 30/06/2014 RM '000
Fixed deposits	78,620,058	74,243,402
Short-term corporate placement	13,031,197	10,556,968
Negotiable instruments of deposits	12,879,060	11,598,134
	<u>104,530,315</u>	<u>96,398,504</u>
Demand deposits	20,030,167	18,913,794
Savings deposits	15,823,857	15,020,628
Others	640,821	381,524
Gross deposits from customers	<u>141,025,160</u>	<u>130,714,450</u>
Fair value changes arising from designation at fair value through profit or loss*	(69,695)	(82,164)
Total net deposits from customers	<u><u>140,955,465</u></u>	<u><u>130,632,286</u></u>

\*Note:

The Group have issued structured deposits (Callable Range Accrual Notes) and designated them at fair value through profit or loss. This designation is permitted under MFRS 139 "Financial Instruments: Recognition and Measurement" as it significantly reduces accounting mismatch. These instruments are managed by the Group on the basis of its fair value and includes terms that have substantive derivative characteristic. The structured deposits are recorded at fair value. The structured deposits designated at fair value amounted to RM1,542 million (2014:RM1,372 million) for the Group.

##### (b) By type of customers

	The Group	
	As at 30/06/2015 RM '000	As at 30/06/2014 RM '000
Government and statutory bodies	3,573,261	2,299,321
Business enterprises	65,130,000	59,409,037
Individuals	70,246,132	66,662,907
Others	2,075,767	2,343,185
Gross deposits from customers	<u>141,025,160</u>	<u>130,714,450</u>

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

	The Group	
	As at 30/06/2015 RM '000	As at 30/06/2014 RM '000
Due within six months	79,319,553	74,735,796
More than six months to one year	21,105,271	17,661,291
More than one year to five years	3,375,491	3,501,417
More than five years	730,000	500,000
	<u>104,530,315</u>	<u>96,398,504</u>

## 15. Deposits and placements of banks and other financial institutions

	<b>The Group</b>	
	<b>As at 30/06/2015 RM '000</b>	<b>As at 30/06/2014 RM '000</b>
Licensed banks and investment banks	7,007,161	6,153,972
Licensed Islamic banks	49,004	901,261
Other financial institutions	1,887,457	2,111,022
	<u>8,943,622</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>8,943,622</u>	<u>9,166,255</u>

## 16. Payables and other liabilities

	<b>The Group</b>	
	<b>As at 30/06/2015 RM '000</b>	<b>As at 30/06/2014 RM '000</b>
Trade payables	1,607,852	1,325,059
Amount due to Cagamas Berhad	-	84,160
Loan advance payment	2,268,769	1,882,838
Post employment benefits obligations - defined contribution plan	1,695	4,236
Treasury and cheque clearing	533,584	1,219,056
Treasury related payables	174,206	56,425
Sundry creditors and accruals	564,022	563,165
Provision for bonus and staff related expenses	144,710	186,734
Advance payments received for corporate exercise	-	416,545
Others	501,856	531,101
	<u>5,796,694</u>	<u>6,269,319</u>
	<b>The Company</b>	
	<b>As at 30/06/2015 RM '000</b>	<b>As at 30/06/2014 RM '000</b>
Amount due to subsidiary companies	-	24
Sundry creditors and accruals	2,106	3,507
Provision for bonus and staff related expenses	8,956	13,541
Post employment benefits obligations - defined contribution plan	41	40
	<u>11,103</u>	<u>17,112</u>

## 17. Interest income

	The Group		The Group	
	Current quarter ended 30/06/2015 RM '000	Last year quarter ended 30/06/2014 RM '000	Current year to date 30/06/2015 RM '000	Last year to date 30/06/2014 RM '000
Loans, advances and financing	1,135,344	1,045,547	4,435,221	4,142,097
Money at call and deposit placements				
with financial institutions	45,816	86,655	275,001	457,614
Securities purchased under resale agreements	91,338	(10,729)	218,068	18,404
Financial assets held-for-trading	122,924	129,923	576,911	519,108
Financial investments available-for-sale	108,112	103,349	458,054	424,641
Financial investments held-to-maturity	71,236	65,581	274,044	196,254
Others	3,344	1,741	13,120	4,283
	<u>1,578,114</u>	<u>1,422,067</u>	<u>6,250,419</u>	<u>5,762,401</u>
Of which:				
Interest income earned on impaired loans, advances and financing	13,561	17,703	58,180	65,356

	The Company		The Company	
	Current quarter ended 30/06/2015 RM '000	Last year quarter ended 30/06/2014 RM '000	Current year to date 30/06/2015 RM '000	Last year to date 30/06/2014 RM '000
Money at call and deposit placements				
with financial institutions	347	395	1,553	1,053
Others	-	489	1,904	2,292
	<u>347</u>	<u>884</u>	<u>3,457</u>	<u>3,345</u>

## 18. Interest expense

	The Group		The Group	
	Current quarter ended 30/06/2015 RM '000	Last year quarter ended 30/06/2014 RM '000	Current year to date 30/06/2015 RM '000	Last year to date 30/06/2014 RM '000
Deposits and placements of banks and other financial institutions	19,854	(15,971)	83,275	79,546
Deposits from customers	721,263	617,604	2,744,262	2,412,772
Short term corporate placements	70,499	42,635	232,673	190,579
Borrowings	24,671	68,718	140,938	280,008
Subordinated bonds	55,327	49,297	226,515	211,462
Non-innovative Tier 1 stapled securities	17,738	17,524	71,317	71,439
Innovative Tier 1 capital securities	7,876	6,892	30,516	26,862
Others	2,976	3,439	11,228	15,324
	<u>920,204</u>	<u>790,138</u>	<u>3,540,724</u>	<u>3,287,992</u>
	The Company		The Company	
	Current quarter ended 30/06/2015 RM '000	Last year quarter ended 30/06/2014 RM '000	Current year to date 30/06/2015 RM '000	Last year to date 30/06/2014 RM '000
Borrowings	7,337	11,463	41,980	49,768
Others	136	10	773	346
	<u>7,473</u>	<u>11,473</u>	<u>42,753</u>	<u>50,114</u>

## 19. Non-Interest Income

	The Group		The Group	
	Current quarter ended 30/06/2015 RM '000	Last year quarter ended 30/06/2014 RM '000	Current year to date 30/06/2015 RM '000	Last year to date 30/06/2014 RM '000
Net income from insurance business	123,328	57,524	248,361	294,101
Net brokerage and commissions from stockbroking business	43,882	17,888	87,789	60,576
Net unit trust and asset management income	4,388	5,071	16,299	19,437
Fee income:				
Commissions	38,237	34,383	154,417	138,801
Service charges and fees	11,566	12,895	48,501	51,012
Guarantee fees	4,804	4,228	20,120	24,132
Credit card related fees	54,492	57,882	234,464	240,267
Corporate advisory fees	2,484	3,103	14,183	8,712
Commitment fees	8,745	9,004	35,174	36,562
Fee on loans, advances and financing	8,667	13,783	53,896	67,597
Placement fees	2,445	23,446	8,544	24,521
Arranger fees	2,866	3,736	8,849	15,295
Other fee income	22,568	8,537	59,066	42,448
	156,874	170,997	637,214	649,347
Gain/(loss) arising from sale of financial assets:				
Net gain from sale of financial assets held-for-trading	12,620	8,039	58,341	18,852
Net gain from sale of financial investments available-for-sale	28,224	44,107	123,980	101,177
Net gain from redemption of financial investments held-to-maturity	20	177	350	802
Net gain/(loss) from sale of derivatives financial instruments	12,038	12,739	(8,673)	45,090
	52,902	65,062	173,998	165,921
Gross dividend income from:				
Financial assets held-for-trading	244	7,784	1,600	18,928
Financial investments available-for-sale	49,103	66,142	179,635	252,356
	49,347	73,926	181,235	271,284
Net unrealised gain/(loss) on revaluation of:				
Financial assets held-for-trading	(2,876)	5,994	2,401	22,528
Derivatives financial instruments	13,764	(2,684)	(51,734)	10,563
	10,888	3,310	(49,333)	33,091
Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges	(355)	(1,657)	(3,279)	(8,334)
Other income:				
Foreign exchange gain	8,873	14,125	36,827	123,432
Rental income	1,791	1,454	6,396	5,997
Gain on disposal of property and equipment (net)	263	5,680	6,947	6,305
Others	4,040	7,077	19,037	19,218
	14,967	28,336	69,207	154,952
Total non-interest income	456,221	420,457	1,361,491	1,640,375

## 19. Non-Interest Income (continued)

	The Company		The Company	
	Current quarter ended 30/06/2015 RM '000	Last year quarter ended 30/06/2014 RM '000	Current year to date 30/06/2015 RM '000	Last year to date 30/06/2014 RM '000
Fee income:				
Management fees	2,471	2,508	10,436	9,225
Loss arising from sale of financial assets:				
Net loss from sale of financial assets held-for-trading	-	(20)	(50)	(20)
Net loss from sale of derivatives financial instruments	-	3,448	(5,363)	(2,586)
Gross dividend income from:				
Financial assets held-for-trading	48	348	699	640
Subsidiary companies	78,575	-	845,482	516,469
Net unrealised gain/(loss) on revaluation of derivatives financial instruments	745	594	(568)	7,258
Other income	171	96	369	737
<b>Total non-interest income</b>	<b>82,010</b>	<b>6,974</b>	<b>851,005</b>	<b>531,723</b>

## 20. Overhead expenses

	The Group		The Group	
	Current quarter ended 30/06/2015 RM '000	Last year quarter ended 30/06/2014 RM '000	Current year to date 30/06/2015 RM '000	Last year to date 30/06/2014 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	274,698	243,180	1,048,898	977,812
- Medical expenses	7,220	7,405	27,441	24,229
- Training and convention expenses	3,300	12,465	11,904	29,972
- Staff welfare	3,771	2,188	10,843	12,528
- Others	6,901	9,574	32,855	32,962
	<b>295,890</b>	<b>274,812</b>	<b>1,131,941</b>	<b>1,077,503</b>
<u>Establishment costs</u>				
- Depreciation of property and equipments*	21,684	29,562	77,507	115,492
- Amortisation of intangible assets*	17,447	26,606	73,249	99,562
- Rental of premises	22,520	21,535	88,200	82,773
- Information technology expenses	31,610	32,303	121,368	119,520
- Security services	6,205	7,451	26,177	31,344
- Electricity, water and sewerage	6,034	7,521	24,912	25,676
- Hire of plant and machinery	3,503	3,229	13,875	13,689
- Others	6,402	6,921	25,864	30,681
	<b>115,405</b>	<b>135,128</b>	<b>451,152</b>	<b>518,737</b>
<u>Marketing expenses</u>				
- Advertisement and publicity	12,084	19,499	36,526	40,859
- Credit card related fees	25,568	25,923	112,590	97,263
- Others	5,136	5,401	19,122	21,383
	<b>42,848</b>	<b>50,823</b>	<b>168,298</b>	<b>159,505</b>
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,948	4,550	15,329	14,417
- Stationery and printing expenses	4,947	6,652	19,540	19,428
- Professional fees	21,171	25,162	68,935	80,685
- Insurance fees	7,972	9,845	36,217	30,457
- Credit card fees	8,098	6,433	31,910	25,908
- Travelling and transport expenses	1,432	1,816	6,181	6,840
- Registration and license fees	2,137	1,260	7,239	5,518
- Brokerage and commission	1,582	1,547	6,844	6,124
- Stamp, postage and courier	5,244	7,527	21,875	23,316
- Others	21,723	4,466	34,802	(2,355)
	<b>78,254</b>	<b>69,258</b>	<b>248,872</b>	<b>210,338</b>
	<b>532,397</b>	<b>530,021</b>	<b>2,000,263</b>	<b>1,966,083</b>

\* During the financial year, 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 year had decreased.

## 20. Overhead expenses (continued)

	The Company		The Company	
	Current quarter ended 30/06/2015 RM '000	Last year quarter ended 30/06/2014 RM '000	Current year to date 30/06/2015 RM '000	Last year to date 30/06/2014 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	(2,072)	5,754	11,644	22,027
- Medical expenses	45	37	170	139
- Training and convention expenses	2	2	19	35
- Staff welfare	81	94	303	295
- Others	804	996	2,869	4,519
	<u>(1,140)</u>	<u>6,883</u>	<u>15,005</u>	<u>27,015</u>
<u>Establishment costs</u>				
- Depreciation of property and equipments	162	71	558	278
- Amortisation of intangible assets	29	17	103	22
- Rental of premises	196	206	791	836
- Electricity, water and sewerage	10	14	43	52
- Hire of plant and machinery	8	5	34	25
- Others	113	55	344	174
	<u>518</u>	<u>368</u>	<u>1,873</u>	<u>1,387</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	8	7	24	25
- Stationery and printing expenses	6	6	38	47
- Professional fees	641	2,042	1,715	2,790
- Management fees	612	981	2,258	1,368
- Travelling and transport expenses	6	110	26	353
- Others	322	609	457	998
	<u>1,595</u>	<u>3,755</u>	<u>4,518</u>	<u>5,581</u>
	<u>973</u>	<u>11,006</u>	<u>21,396</u>	<u>33,983</u>

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

	The Group		The Group	
	Current quarter ended 30/06/2015 RM '000	Last year quarter ended 30/06/2014 RM '000	Current year to date 30/06/2015 RM '000	Last year to date 30/06/2014 RM '000
Allowance for/(writeback of) impairment losses on loans, advances and financing:				
- Individual assessment allowance	14,532	14,866	(49,902)	31,157
- Collective assessment allowance	58,797	67,076	213,042	255,275
Allowance for/(writeback of) impairment losses on clients' and brokers' balances:				
- Individual assessment allowance	(203)	24	(9)	(8)
- Collective assessment allowance	10	(14)	8	(18)
(Writeback of)/allowance impairment losses on other assets				
- Individual assessment allowance	(11)	85	(106)	(68)
Impaired loans and financing:				
- written off	5,344	3,338	45,617	20,025
- recovered	(55,959)	(60,780)	(261,294)	(253,938)
	<u>22,510</u>	<u>24,595</u>	<u>(52,644)</u>	<u>52,425</u>

## 22. Capital adequacy

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

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

### Basel III

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014	30/06/2015	30/06/2014
<b>Before deducting proposed dividends</b>						
CET I capital ratio	11.147%	10.903%	9.861%	10.172%	23.683%	20.108%
Tier I capital ratio	12.297%	12.306%	11.179%	11.777%	23.683%	20.108%
Total capital ratio	14.715%	15.072%	14.226%	14.657%	27.355%	20.259%
<b>After deducting proposed dividends</b>						
CET I capital ratio	10.750%	10.480%	9.406%	9.689%	20.832%	16.401%
Tier I capital ratio	11.900%	11.883%	10.724%	11.294%	20.832%	16.401%
Total capital ratio	14.318%	14.649%	13.771%	14.173%	24.504%	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	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014	30/06/2015	30/06/2014
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>CET I capital</b>						
Paid up share capital	1,879,909	1,879,909	1,879,909	1,879,909	165,000	165,000
Share premium	2,872,183	2,832,383	2,872,183	2,832,383	87,950	87,950
Retained profit	7,819,514	7,189,104	5,653,204	5,375,070	22,742	38,903
Other reserves	4,363,914	3,171,817	3,219,396	2,773,797	197,667	179,789
Less: Treasury shares	(648,588)	(645,579)	(648,588)	(645,579)	-	-
Less: Other intangible assets	(318,107)	(347,791)	(302,801)	(335,319)	-	-
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(32,535)	(29,978)
Less: Deferred tax assets	-	-	-	-	(95,002)	(103,671)
Less: Investment in subsidiary companies/ associated company/joint venture	(1,242,626)	(430,676)	(952,672)	(475,075)	(154)	(77)
Total CET I capital	12,894,887	11,817,855	9,949,084	9,633,639	345,668	337,916
<b>Additional Tier I capital</b>						
Non-innovative Tier I stapled securities	980,000	1,120,000	980,000	1,120,000	-	-
Innovative Tier I capital securities	350,000	400,000	350,000	400,000	-	-
Total additional Tier I capital	1,330,000	1,520,000	1,330,000	1,520,000	-	-
Total Tier I capital	14,224,887	13,337,855	11,279,084	11,153,639	345,668	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	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014	30/06/2015	30/06/2014
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>Tier II Capital</b>						
Redeemable preference shares	-	-	-	-	-	1,631
Collective assessment allowance ^ and regulatory reserves #	1,109,877	732,980	951,123	639,439	3,825	1,204
Subordinated obligations	3,552,000	3,988,000	3,552,000	3,988,000	50,000	-
Tier II capital before regulatory adjustments	4,661,877	4,720,980	4,503,123	4,627,439	53,825	2,835
Less: Regulatory adjustments						
Investment in subsidiary companies	-	-	(815,066)	(1,081,727)	(230)	(306)
Investment in associated company	(1,786,666)	(1,650,640)	(567,915)	(757,204)	-	-
Investment in joint venture	(77,274)	(72,064)	(46,027)	(61,369)	-	-
Total Tier II capital	2,797,937	2,998,276	3,074,115	2,727,139	53,595	2,529
<b>Total capital</b>	17,022,824	16,336,131	14,353,199	13,880,778	399,263	340,445

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

# Includes the qualifying regulatory reserves for non-impaired loans of Hong Leong Bank Group and Hong Leong Investment Bank Berhad of RM391,143,000 (2014: Nil) and Hong Leong Bank Berhad of RM334,138,000 (2014: Nil) respectively.

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014	30/06/2015	30/06/2014
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit risk	105,009,787	96,729,672	91,202,163	84,227,557	678,033	896,087
Market risk	3,052,311	4,126,372	3,065,215	3,912,418	483,713	571,557
Operational risk	7,620,076	7,532,731	6,627,632	6,563,115	297,840	212,853
Total RWA	115,682,174	108,388,775	100,895,010	94,703,090	1,459,586	1,680,497

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

	Hong Leong Islamic Bank	
	30/06/2015	30/06/2014
<b>Before deducting proposed dividends</b>		
CET I capital ratio	11.323%	11.829%
Tier I capital ratio	11.323%	11.829%
Total capital ratio	15.240%	15.587%
<b>After deducting proposed dividends</b>		
CET I capital ratio	11.253%	11.392%
Tier I capital ratio	11.253%	11.392%
Total capital ratio	15.170%	15.150%

### **23. Events after Balance Sheet date**

There are no materials events subsequent to the end of the financial period ended 30 June 2015 except for the following;

- (a) On 10 August 2015, Hong Leong Bank Berhad ("HLB"), a subsidiary of HLF, announced that it had on 10 August 2015 fully redeemed the RM700 million 4.85% Tier 2 Subordinated Notes issued by HLB on 10 August 2010.

### **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 ("HLIB") which in turn a wholly-owned subsidiary of Hong Leong Capital Berhad ("HLCB"), a subsidiary of HLF, 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, HLB inter alia announced that WTB Corporation Sdn Bhd ("WTB"), a wholly-owned subsidiary of HLF Credit (Perak) Bhd, 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. Wah Tat Nominees (Asing) is dormant.
- (d) On 2 June 2015, HLB announced that WTB had placed Wah Tat Nominees (Tempatan) Sdn Bhd ("Wah Tat Nominees (Tempatan)"), a wholly-owned subsidiary of WTB, under member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965. Wah Tat Nominees (Tempatan) is dormant.
- (e) RC Nominees (Asing) Sdn Bhd, a wholly-owned subsidiary of HLIB, was dissolved on 5 June 2015.
- (f) Wing Trade Investments Limited, a wholly-owned subsidiary of HLF in British Virgin Islands, was dissolved on 24 July 2015.
- (g) Promitol Sdn Bhd, a wholly-owned subsidiary of HLB, was dissolved on 29 July 2015.

## 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:

	<b>The Group</b>	
	<b>30/06/2015</b>	<b>30/06/2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	220,983	376,792
Certain transaction related contingent items	1,606,465	1,706,130
Short-term self liquidating trade related contingencies	755,587	765,904
Forward asset purchases	-	37,432
Obligations under underwriting agreement	-	299,154
Irrevocable commitments to extend credit:		
- less than one year	18,158,775	17,251,829
- more than one year	17,262,934	15,821,707
Any commitments that are unconditionally cancellable at any time by the Group without prior notice		
- less than one year	722,877	627,233
Foreign exchange related contracts		
- less than one year	33,596,962	43,902,047
- one year to less than five years	4,409,157	4,369,268
- five years and above	819,693	598,871
Interest rate related contracts		
- less than one year	23,442,517	45,759,521
- one year to less than five years	46,063,835	51,939,223
- five years and above	2,654,631	8,501,058
Equity related contracts		
- less than one year	360,330	207,936
- one year to less than five years	111,437	105,810
Commodity related contracts		
- less than one year	1,471	-
- one year to less than five years	3,826	-
- five years and above	-	-
Unutilised credit card lines	7,426,036	7,610,596
Others		
- less than one year	1,781	23
- more than one year	2,719	-
<b>Total</b>	<b>157,622,016</b>	<b>199,880,534</b>

	<b>The Company</b>	
	<b>30/06/2015</b>	<b>30/06/2014</b>
	<b>RM'000</b>	<b>RM'000</b>
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 fund was above the minimum of RM1 million as at 30 June 2015 (30 June 2014: RM1 million).

## 26. Related party transactions

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

## 27. Fair value of financial instruments

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

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

### Determination of fair value and fair value hierarchy

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

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

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

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

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

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

## 27. Fair value of financial instruments (continued)

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

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

#### The Group

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>30 June 2014</b>				
<b><i>Recurring fair value measurements</i></b>				
<b><u>Financial assets</u></b>				
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>
<b><u>Financial liabilities</u></b>				
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 year (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
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**30 June 2015**

#### ***Recurring fair value measurements***

##### **Financial assets**

Derivative financial instruments	-	126	-	126
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##### **Financial liabilities**

Derivative financial instruments	-	1,158	-	1,158
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	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
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**30 June 2014**

#### ***Recurring fair value measurements***

##### **Financial assets**

Derivative financial instruments	-	1,211	-	1,211
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##### **Financial liabilities**

Derivative financial instruments	-	1,253	-	1,253
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Reconciliation of fair value measurements in Level 3 of the fair value hierarchy:

	<b>The Group</b>		
	<b>Financial Assets</b>		<b>Financial Liability</b>
	<b>Financial investments available-for-sale</b>	<b>Derivative financial instruments</b>	<b>Derivative financial instruments</b>
	RM'000	RM'000	RM'000
<b>30 June 2015</b>			
As at beginning of the financial year	369,708	-	-
Total losses recognised in statements of income	-	(480)	(480)
Net fair value changes recognised in other comprehensive income	27,596	-	-
Purchase	-	7,432	7,432
Disposal	(25)	-	-
As at end of the financial year	<u>397,279</u>	<u>6,952</u>	<u>6,952</u>
Total losses recognised in statement of income relating to assets/liability held on 30 June 2015	-	(480)	(480)
Total gain recognised in other comprehensive income relating to assets held on 30 June 2015	<u>27,596</u>	-	-
<b>The Group</b>			<b>Financial investments available-for-sale</b>
<b>30 June 2014</b>			<b>RM'000</b>
As at beginning of the financial year			332,796
Net fair value changes recognised in other comprehensive income			37,353
Redeemed during the year			(441)
As at end of the financial year			<u>369,708</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2014			<u>37,353</u>

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

**1 Review of performance**

**Current quarter against previous corresponding quarter**

HLFG Group recorded a profit before tax of RM780.5 million for the current quarter ended 30 June 2015 as compared to RM715.6 million in the previous corresponding quarter, an increase of RM64.9 million or 9.1%. The overall increase was mainly due to higher contribution from banking and insurance division.

Hong Leong Bank Group recorded a higher profit before tax of RM672.5 million for the current quarter ended 30 June 2015 as compared to RM611.0 million in the previous corresponding quarter, an increase of RM61.5 million or 10.1%. The increase in pre-tax profit was mainly due to higher net income of RM34.4 million, higher write back of impairment losses from securities of RM9.2 million and higher share of profit from Bank of Chengdu and Sichuan Jincheng Consumer Finance joint venture totaling RM21.1 million. This was however offset by higher operating expenses of RM3.9 million.

HLA Holdings Group registered a profit before tax of RM140.9 million for the current quarter ended 30 June 2015 as compared to RM82.5 million in the previous corresponding quarter, an increase of RM58.4 million or 70.8%. The increase was due to higher net income of RM90.5 million. This was offset by higher operating expenses by RM6.1 million and higher impairment loss by RM19.7 million and lower share of profit from associated company by RM6.3 million.

Hong Leong Capital Group recorded a profit before tax of RM27.5 million for the current quarter ended 30 June 2015 as compared to RM29.1 million in the previous corresponding quarter, a decrease of RM1.6 million or 5.5%. This was mainly due to lower contribution from its investment banking and stockbroking division.

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

HLFG Group recorded a profit before tax of RM3,023.3 million for the year ended 30 June 2015 as compared to RM3,009.2 million in the previous corresponding year, with an increase of RM14.1 million or 0.5%. The overall increase in profit before tax was mainly due to higher contribution from banking division.

Hong Leong Bank Group recorded a higher profit before tax of RM2,746.2 million for the year ended 30 June 2015 as compared to RM2,613.2 million in the previous corresponding year, an increase of RM133.0 million or 5.1%. The increase was due to higher write back of allowance for impairment losses on loans, advances and financing of RM104.0 million and higher share of profit from Bank of Chengdu and Sichuan Jincheng Consumer Finance joint venture totaling RM39.1 million and higher net income of RM27.9 million. This is however offset by lower write back of impairment losses from securities of RM16.4 million and higher operating expenses of RM21.6 million.

HLA Holdings Group registered a profit before tax of RM287.6 million for the year ended 30 June 2015 as compared to RM350.4 million in the previous corresponding year, a decrease of RM62.8 million or 17.9%. The decrease was largely due to lower net income of RM25.3 million, higher operating expenses of RM17.7 million and higher allowance for impairment losses of RM20.7 million. This is however mitigated by higher share of profit from associated company by RM0.9 million.

Hong Leong Capital Group recorded a profit before tax of RM78.5 million for the year ended 30 June 2015 as compared to RM78.9 million in the previous corresponding year, a decrease of RM0.4 million or 0.5%. This is mainly due to lower contribution from the asset management division.

### 3 Current quarter against preceding quarter

HFLG Group recorded a profit before taxation of RM780.5 million for the current quarter ended 30 June 2015 as compared to RM699.7 million in the preceding quarter, an increase of RM80.8 million or 11.5%. The overall increase in profit before tax was mainly due to higher contribution across all operating divisions.

Hong Leong Bank Group recorded a profit before tax of RM672.5 million for the current quarter ended 30 June 2015 as compared to RM662.7 million in the preceding quarter, an increase of RM9.8 million or 1.5%. The increase was mainly due to higher net income of RM52.7 million, higher share of profit from Bank of Chengdu and Sichuan Jincheng Consumer Finance joint venture totalling RM5.0 million and higher write back of impairment losses of RM2.9 million. This is however offset by higher allowance for impairment losses on loans, advances and financing of RM30.2 million and higher operating expenses of RM20.6 million.

HLA Holdings Group recorded a profit before tax of RM140.9 million for the current quarter ended 30 June 2015 as compared to RM35.3 million in the preceding quarter, an increase of RM105.6 million or 299.2%. The increase was mainly due to higher net income of RM142.3 million which includes a PAR transfer to shareholders fund of RM37.0 million. This is however offset by higher operating expense of RM7.7 million, higher allowance for impairment losses of RM18.4 million and lower share of profit from associated company by RM10.6 million.

Hong Leong Capital Group recorded a profit before tax of RM27.5 million for the current quarter ended 30 June 2015 as compared to RM16.7 million in the preceding quarter, an increase of RM10.8 million or 64.7%. This was mainly due to higher contribution from its investment banking and stockbroking division.

### 4 Prospects for the current year

Barring unforeseen circumstances, the Group is expected to perform satisfactorily for the next 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 30/06/2015 RM '000	Last year quarter ended 30/06/2014 RM '000	Current year to date 30/06/2015 RM '000	Last year to date 30/06/2014 RM '000
Malaysian income tax	165,017	157,906	633,813	563,531
Transfer from deferred tax	(42,028)	(40,332)	(30,605)	2,775
	122,989	117,574	603,208	566,306
Prior year over provision - Malaysia	(32,198)	(61,681)	(40,300)	(74,439)
	90,791	55,893	562,908	491,867

	The Company		The Company	
	Current quarter ended 30/06/2015 RM '000	Last year quarter ended 30/06/2014 RM '000	Current year to date 30/06/2015 RM '000	Last year to date 30/06/2014 RM '000
Malaysian income tax	662	(898)	3,092	74,967
Transfer from deferred tax	1,107	(602)	1,380	1,427
	1,769	(1,500)	4,472	76,394

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 year under review.

### 8 Purchase/sale of quoted securities of the Group

There was no other purchase or disposal of quoted securities for the year 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, other than as mentioned below:-

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

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

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

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

- (i) Bank Negara Malaysia ("BNM"), for the increase in the issued and paid-up share capital of HLB pursuant to the Proposed HLB Rights Issue, which was obtained on 11 August 2015 via its letter dated 10 August 2015;
  - (ii) Bursa Malaysia Securities Berhad ("Bursa Securities"), for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities;
  - (iii) the shareholders of HLB at an extraordinary general meeting to be convened; and
  - (iv) other relevant authorities/parties, if required.
- (c) On 12 August 2015, HLIB announced on behalf of HLFG that HLFG proposed to undertake a renounceable rights issue of new ordinary shares of RM1.00 each in HLFG to HLFG shareholders to raise gross proceeds of up to RM1.1 billion ("Proposed HLFG Rights Issue").

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

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

## 10 Borrowings

		<b>The Group</b>	
		<b>As at 30/06/2015 RM '000</b>	<b>As at 30/06/2014 RM '000</b>
	Note		
Revolving credit	(i)	-	65,254
Commercial papers	(ii)	374,236	584,212
Medium term notes	(ii), (iii)	351,194	2,611,879
Term loans	(iv)	85,072	110,052
Senior bonds	(v)	2,286,380	1,936,207
		<u>3,096,882</u>	<u>5,307,604</u>
Repayment of revolving credit			
- less than one year		-	65,254
Repayment of commercial papers			
- less than one year		374,236	584,212
Repayment of medium term notes			
- less than one year		-	150,466
- one to three years		100,331	2,210,550
- three years and above		250,863	250,863
Repayment of term loans			
- less than one year		85,072	110,052
Repayment of senior bonds			
- one to three years		2,286,380	1,936,207
		<u>3,096,882</u>	<u>5,307,604</u>
		<b>The Company</b>	
		<b>As at 30/06/2015 RM '000</b>	<b>As at 30/06/2014 RM '000</b>
	Note		
Revolving credit	(i)	-	65,254
Commercial papers	(ii)	374,236	584,212
Medium term notes	(ii)	401,358	551,824
Term loans	(iv)	85,072	110,052
		<u>860,666</u>	<u>1,311,342</u>
Repayment of revolving credit			
- less than one year		-	65,254
Repayment of commercial papers			
- less than one year		374,236	584,212
Repayment of medium term notes			
- less than one year		-	150,466
- one to three years		150,495	150,495
- three years and above		250,863	250,863
Repayment of term loans			
- less than one year		85,072	110,052
		<u>860,666</u>	<u>1,311,342</u>

## 10 Borrowings (continued)

- (i) The unsecured revolving credit facilities carried an interest rate ranging from 3.58% to 3.77% (30 June 2014: ranging from 3.22% to 3.58%) per annum. The revolving credit facilities have been repaid during the financial year.
- (ii) On 14 October 2011, the Company entered into RM1.8 billion CP/MTNs Programme comprising a seven (7) years Commercial Papers (CP) programmes and a twenty (20) years Medium Term Notes (MTNs) programmes which were constituted by a Trust Deed between the Company and Malaysian Trustees Berhad as trustee. The CPs are issued at a discount and the issue price is calculated in accordance with the Rules on Fully Automated System for Issuing/Tendering ("FAST") issued by Bank Negara Malaysia at the tenure of one (1), two (2), three (3), six (6), nine (9) or twelve (12) months as the Company may select. The CPs carry an interest rate ranging from 3.58% to 3.82% (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 2016 of which the Company has drawdown RM150 million. The term loan with one month interest period bears an interest rate ranging from 3.66% to 3.93% (30 June 2014: 3.65%) per annum.
- (b) an unsecured 1 year term loan of RM200 million maturing on 2 July 2016 of which the Company has drawdown RM200 million. The term loan with one month interest period bears an interest rate ranging from 3.66% to 3.93% (30 June 2014: 3.65%) per annum
- (v) The Group has the following senior bonds:

		<b>The Group</b>	
		<b>As at</b>	<b>As at</b>
		<b>30/06/2015</b>	<b>30/06/2014</b>
		<b>RM '000</b>	<b>RM '000</b>
	Note		
USD 300 million senior bonds, at par	(a)	916,350	916,350
USD 300 million senior bonds, at par	(b)	919,200	919,200
Foreign exchange translations		435,750	90,750
		<u>2,271,300</u>	<u>1,926,300</u>
Add: Interest payable		19,401	16,454
		<u>2,290,701</u>	<u>1,942,754</u>
Less: Unamortised discounts		(4,321)	(6,547)
		<u><u>2,286,380</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

		The Group	
		As at 30/06/2015 RM '000	As at 30/06/2014 RM '000
	Note		
RM700 million Tier 2 subordinated debt, at par	(a)	685,000	685,000
Add: Interest payable		12,673	12,535
		<u>697,673</u>	<u>697,535</u>
Less: Unamortised discounts		(2)	(207)
		<u>697,671</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		(124)	(570)
		<u>1,006,669</u>	<u>1,006,223</u>
Subordinated medium term notes, at par	(c)	500,000	750,000
Add: Interest payable		65	1,207
		<u>500,065</u>	<u>751,207</u>
Less: Unamortised discounts		(350)	(1,138)
Add: Fair value adjustments on completion of business combination accounting		(147)	210
		<u>499,568</u>	<u>750,279</u>
RM1.5 billion Tier 2 subordinated debt, at par	(d)	1,500,000	1,500,000
Add: Interest payable		1,664	1,479
		<u>1,501,664</u>	<u>1,501,479</u>
Less: Unamortised discounts		(1,027)	(1,590)
		<u>1,500,637</u>	<u>1,499,889</u>
RM500 million Tier 2 subordinated debt, at par	(e)	500,000	500,000
Add: Interest payable		6,895	8,815
		<u>506,895</u>	<u>508,815</u>
Less: Unamortised discounts		(204)	(1,974)
		<u>506,691</u>	<u>506,841</u>
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(f)	400,000	400,000
Add: Interest payable		736	736
		<u>400,736</u>	<u>400,736</u>
Less: Unamortised discounts		(431)	(658)
		<u>400,305</u>	<u>400,078</u>
RM500 million Tier 2 subordinated notes, at par	(g)	500,000	500,000
Add: Interest payable		526	526
		<u>500,526</u>	<u>500,526</u>
Less: Unamortised discounts		(1,006)	(1,550)
		<u>499,520</u>	<u>498,976</u>
RM50 million Tier 2 subordinated notes, at par	(h)	50,000	-
Add: Interest payable		407	-
		<u>50,407</u>	-
Less: Unamortised discounts		(213)	-
		<u>50,194</u>	-
		<u>5,161,255</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 HCFG, had completed the first issuance of RM50 million nominal value of Tier 2 Subordinated Notes ("Sub-Notes") out of its RM1.0 billion Multi-Currency Sub-Notes Programme. The RM50 million Sub-Notes will mature in 2024 and is callable on any coupon payment date falling on or after the 5th anniversary of the issue date. The Sub-Notes which bears interest rate of 5.30% per annum is payable semi-annually in arrears. The exercise of the call option on the Sub-Notes shall be subject to the approval of BNM.

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

## 12 Non-innovative Tier 1 stapled securities

	The Group	
	As at	As at
	30/06/2015	30/06/2014
	RM '000	RM '000
RM1.4 billion Non-Innovative Tier 1 stapled securities, at par	1,400,000	1,400,000
Add: Interest payable	11,040	11,041
	<u>1,411,040</u>	<u>1,411,041</u>
Less: Unamortised discounts	(171)	(789)
	<u>1,410,869</u>	<u>1,410,252</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	As at
	30/06/2015	30/06/2014
	RM '000	RM '000
RM500 million Innovative Tier 1 capital securities, at par	500,000	500,000
Add: Interest payable	12,771	12,771
	<u>512,771</u>	<u>512,771</u>
Less: Unamortised discounts	(7,367)	(8,746)
Add: Fair value adjustments on completion of business combination accounting	24,819	37,742
	<u>530,223</u>	<u>541,767</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 30 June 2015

**The Group**

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	24,367,237	767,439	(424,069)
(ii) 1 year to 3 years	98,423	2,110	-
- Swaps			
(i) Less than 1 year	6,772,023	148,744	(142,880)
(ii) 1 year to 3 years	2,833,122	137,620	(216,453)
(iii) More than 3 years	2,297,305	136,315	(185,756)
- Options			
(i) Less than 1 year	2,548,721	32,004	(26,254)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	8,776,870	146	(2,987)
(ii) 1 year to 3 years	48,832	-	(220)
(iii) More than 3 years	-	-	-
- Swaps			
(i) Less than 1 year	14,665,647	26,571	(25,506)
(ii) 1 year to 3 years	27,642,346	60,097	(78,996)
(iii) More than 3 years	21,027,288	146,684	(259,008)
Equity related contracts			
(i) Less than 1 year	360,330	3,075	(3,075)
(ii) 1 year to 3 years	102,937	3,877	(3,877)
(iii) More than 3 years	8,500	3,097	-
Commodity related contracts			
(i) Less than 1 year	1,471	87	(81)
(ii) 1 year to 3 years	3,826	218	(203)
<b>Total</b>	<b>111,554,878</b>	<b>1,468,084</b>	<b>(1,369,365)</b>

**The Company**

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

#### 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	-
<b>Total</b>	<b>155,383,734</b>	<b>712,983</b>	<b>(821,340)</b>

##### 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)
<b>Total</b>	<b>785,308</b>	<b>1,211</b>	<b>(1,253)</b>

## 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 year, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM33,684,338 (FYE June 2014: RM2,836,683,390) and RM63,369,478,507 (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 RM1,520,741,372 (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 years 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 year ended 30 June 2015, a total single-tier dividend of 38 sen per share was declared (2014: 38 sen per share).

## 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 year.

	The Group		The Group	
	Current quarter ended 30/06/2015 RM '000	Last year quarter ended 30/06/2014 RM '000	Current year to date 30/06/2015 RM '000	Last year to date 30/06/2014 RM '000
Net profit attributable to equity holders of the Company	441,250	450,255	1,620,743	1,706,877
Weighted average number of ordinary shares ('000)	1,050,486	1,047,613	1,050,486	1,047,613
<b>Basic earnings per share (Sen)</b>	<u>42.0</u>	<u>43.0</u>	<u>154.3</u>	<u>162.9</u>

	The Company		The Company	
	Current quarter ended 30/06/2015 RM '000	Last year quarter ended 30/06/2014 RM '000	Current year to date 30/06/2015 RM '000	Last year to date 30/06/2014 RM '000
Net profit attributable to equity holders of the Company	70,878	(13,121)	782,575	374,577
Weighted average number of ordinary shares ('000)	1,052,767	1,049,767	1,052,767	1,049,767
<b>Basic earnings per share (Sen)</b>	<u>6.7</u>	<u>(1.2)</u>	<u>74.3</u>	<u>35.7</u>

### (b) Fully diluted earnings per share

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

	The Group		The Group	
	Current quarter ended 30/06/2015 RM '000	Last year quarter ended 30/06/2014 RM '000	Current year to date 30/06/2015 RM '000	Last year to date 30/06/2014 RM '000
Net profit attributable to equity holders of the Company	441,250	450,255	1,620,743	1,706,877
Weighted average number of ordinary shares ('000)				
- during the year	1,050,486	1,047,613	1,050,486	1,047,613
- adjustment for ESOS	142	720	142	720
	<u>1,050,628</u>	<u>1,048,334</u>	<u>1,050,628</u>	<u>1,048,334</u>
<b>Fully diluted earnings per share (Sen)</b>	<u>42.0</u>	<u>42.9</u>	<u>154.3</u>	<u>162.8</u>

	The Company		The Company	
	Current quarter ended 30/06/2015 RM '000	Last year quarter ended 30/06/2014 RM '000	Current year to date 30/06/2015 RM '000	Last year to date 30/06/2014 RM '000
Net profit attributable to equity holders of the Company	70,878	(13,121)	782,575	374,577
Weighted average number of ordinary shares ('000)				
- during the year	1,052,767	1,049,767	1,052,767	1,049,767
- adjustment for ESOS	-	680	-	680
	<u>1,052,767</u>	<u>1,050,448</u>	<u>1,052,767</u>	<u>1,050,448</u>
<b>Fully diluted earnings per share (Sen)</b>	<u>6.7</u>	<u>(1.2)</u>	<u>74.3</u>	<u>35.7</u>

**18 Realised and unrealised profit**

	<b>The Group</b>	
	<b>As at 30/06/2015 RM '000</b>	<b>As at 30/06/2014 RM '000</b>
Total retained profits of the Group and its subsidiaries		
- Realised	19,285,289	18,663,319
- Unrealised	1,161,592	1,325,961
Total share of retained profits from associated companies		
- Realised	1,976,541	1,513,429
- Unrealised	1,759	1,574
Total share of retained profits from joint ventures		
- Realised	26,647	12,587
	<u>22,451,828</u>	<u>21,516,870</u>
Less: Consolidation adjustments	(14,635,036)	(14,069,318)
Total Group's retained profits as per consolidated accounts	<u>7,816,792</u>	<u>7,447,552</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 26th August 2015