

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

Condensed Financial Statements
Unaudited Statements of Financial Position As At 31 March 2016

		The Group		The Bank	
		As at 31/03/2016	As at 30/06/2015	As at 31/03/2016	As at 30/06/2015
	Note	RM'000	RM'000	RM'000	RM'000
<u>ASSETS</u>					
Cash and short-term funds		8,770,085	6,230,283	6,986,781	4,972,372
Deposits and placements with banks and other financial institutions		989,222	3,982,119	705,789	4,340,892
Securities purchased under resale agreements		4,052,217	12,163,252	4,052,217	12,163,252
Financial assets held-for-trading	A8	8,643,398	7,131,434	9,071,741	7,123,538
Financial investments available-for-sale	A9	24,279,518	20,307,353	22,274,002	17,370,438
Financial investments held-to-maturity	A10	11,703,247	9,950,081	9,962,701	8,618,741
Loans, advances and financing	A11	117,532,772	112,124,109	99,137,920	95,563,493
Other assets	A12	1,697,164	1,295,419	1,657,195	1,149,905
Derivative financial instruments		1,258,763	1,424,929	1,227,419	1,421,571
Amount due from subsidiaries		-	-	34,029	12,984
Statutory deposits with Central Banks		3,560,994	3,476,192	2,892,769	2,859,590
Subsidiary companies		-	-	1,359,176	1,358,443
Investment in associated company		3,084,367	2,977,776	946,525	946,525
Investment in joint venture		137,889	128,790	76,711	76,711
Property and equipment		748,070	678,579	701,428	627,784
Intangible assets		281,779	318,107	263,542	302,801
Goodwill		1,831,312	1,831,312	1,771,547	1,771,547
Tax recoverable		11,542	-	11,119	-
TOTAL ASSETS		188,582,339	184,019,735	163,132,611	160,680,587
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>					
Deposits from customers	A13	146,046,775	140,276,148	126,193,004	122,337,044
Deposits and placements of banks and other financial institutions	A14	6,363,445	7,096,231	5,312,726	6,133,109
Obligations on securities sold under repurchase agreements		3,307,858	3,691,338	3,290,166	3,691,338
Bills and acceptances payable		286,501	1,900,967	261,450	1,874,138
Other liabilities	A15	3,679,479	3,901,119	3,132,162	3,264,006
Derivative financial instruments		1,779,153	1,287,726	1,752,342	1,269,894
Senior bonds	A16	1,184,369	2,286,380	1,184,369	2,286,380
Tier 2 subordinated bonds	A17	3,446,815	4,619,812	3,041,532	4,219,507
Non-innovative Tier 1 stapled securities	A18	1,428,664	1,410,869	1,428,664	1,410,869
Innovative Tier 1 capital securities	A19	513,200	530,223	513,200	530,223
Taxation		19,585	152,240	-	160,243
Deferred tax liabilities		102,012	77,090	102,780	75,672
TOTAL LIABILITIES		168,157,856	167,230,143	146,212,395	147,252,423
Share capital		2,167,718	1,879,909	2,167,718	1,879,909
Reserves		18,991,805	15,558,271	15,487,538	12,196,843
Less: Treasury shares		(735,040)	(648,588)	(735,040)	(648,588)
TOTAL SHAREHOLDERS' EQUITY		20,424,483	16,789,592	16,920,216	13,428,164
TOTAL LIABILITIES AND EQUITY		188,582,339	184,019,735	163,132,611	160,680,587
<u>COMMITMENTS AND CONTINGENCIES</u>	A30	172,554,644	148,927,356	166,447,497	142,453,657
Net asset per share attributable to ordinary equity holders of the parent (RM) *					
		9.99	9.51	8.27	7.61

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

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

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)
Condensed Financial Statements
Unaudited Statements of Income
For The Financial Period Ended 31 March 2016

		The Group			
	Note	Current Quarter Ended 31/03/2016 RM'000	Corresponding Quarter Ended 31/03/2015 RM'000	Current Period Ended 31/03/2016 RM'000	Corresponding Period Ended 31/03/2015 RM'000
Interest income	A20	1,606,964	1,515,616	4,736,413	4,561,185
Interest expense	A21	(952,615)	(858,337)	(2,744,261)	(2,477,156)
Net interest income		654,349	657,279	1,992,152	2,084,029
Net income from Islamic Banking business	A22	114,148	99,046	346,320	314,963
Other operating income	A23	233,736	231,782	760,507	627,121
Net Income		1,002,233	988,107	3,098,979	3,026,113
Other operating expenses	A24	(472,069)	(450,374)	(1,592,945)	(1,342,877)
Operating profit before allowances (Allowance for)/write back of impairment losses on loans, advances and financing	A25	530,164 (19,903)	537,733 6,672	1,506,034 (103,963)	1,683,236 75,495
Write back of impairment losses		2,208	7,008	7,130	13,561
		512,469	551,413	1,409,201	1,772,292
Share of profit after tax of equity accounted associated company		89,573	105,989	233,095	289,806
Share of profit after tax of equity accounted joint venture		4,600	5,291	14,990	11,555
Profit before taxation		606,642	662,693	1,657,286	2,073,653
Taxation	B5	(108,812)	(143,527)	(312,413)	(455,317)
Net profit for the financial period		497,830	519,166	1,344,873	1,618,336
Attributable to:					
Owners of the parent		497,830	519,166	1,344,873	1,618,336
Earnings per share - basic (sen)	B13(a)	26.7	29.4	72.2	91.6
Earnings per share - fully diluted (sen)	B13(b)	26.7	29.4	72.2	91.6

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

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

Condensed Financial Statements
Unaudited Statements of Comprehensive Income
For The Financial Period Ended 31 March 2016

	The Group			
	Current Quarter Ended 31/03/2016 RM'000	Corresponding Quarter Ended 31/03/2015 RM'000	Current Period Ended 31/03/2016 RM'000	Corresponding Period Ended 31/03/2015 RM'000
Net profit for the financial period	497,830	519,166	1,344,873	1,618,336
Other comprehensive (loss)/income:				
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive (loss)/income of associated company	(1,636)	(170)	7,437	10,618
Currency translation differences	(262,017)	36,472	79,549	90,603
Net fair value changes on financial investments available-for-sale	132,116	31,325	76,618	10,087
Net fair value changes in cash flow hedge	(2,237)	(1,406)	(1,915)	(787)
Income tax relating to components of other comprehensive income	(32,739)	(7,262)	(16,775)	(2,398)
Other comprehensive (loss)/income for the financial period, net of tax	(166,513)	58,959	144,914	108,123
Total comprehensive income for the financial period	<u>331,317</u>	<u>578,125</u>	<u>1,489,787</u>	<u>1,726,459</u>
Attributable to:				
- Owners of the parent	<u>331,317</u>	<u>578,125</u>	<u>1,489,787</u>	<u>1,726,459</u>

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

HONG LEONG BANK BERHAD
(97141-X)
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Condensed Financial Statements
Unaudited Statements of Income
For The Financial Period Ended 31 March 2016

		The Bank			
	Note	Current Quarter Ended 31/03/2016 RM'000	Corresponding Quarter Ended 31/03/2015 RM'000	Current Period Ended 31/03/2016 RM'000	Corresponding Period Ended 31/03/2015 RM'000
Interest income	A20	1,600,123	1,504,522	4,719,523	4,535,587
Interest expense	A21	(961,224)	(860,915)	(2,771,987)	(2,490,593)
Net interest income		638,899	643,607	1,947,536	2,044,994
Other operating income	A23	263,740	269,660	999,296	818,951
Net Income		902,639	913,267	2,946,832	2,863,945
Other operating expenses	A24	(410,440)	(387,307)	(1,407,018)	(1,168,292)
Operating profit before allowances (Allowance for)/write back of impairment losses on loans, advances and financing	A25	492,199	525,960	1,539,814	1,695,653
Write back of impairment losses		(22,628)	22,006	(83,629)	71,893
		2,208	7,008	7,130	13,561
Profit before taxation		471,779	554,974	1,463,315	1,781,107
Taxation	B5	(93,890)	(140,963)	(277,894)	(451,651)
Net profit for the financial period		377,889	414,011	1,185,421	1,329,456
Attributable to:					
Owners of the parent		377,889	414,011	1,185,421	1,329,456
Earnings per share - basic (sen)	B13(a)	20.3	23.4	63.7	75.3
Earnings per share - fully diluted (sen)	B13(b)	20.3	23.4	63.7	75.3

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

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

Condensed Financial Statements
Unaudited Statements of Comprehensive Income
For The Financial Period Ended 31 March 2016

	The Bank			
	Current Quarter Ended 31/03/2016 RM'000	Corresponding Quarter Ended 31/03/2015 RM'000	Current Period Ended 31/03/2016 RM'000	Corresponding Period Ended 31/03/2015 RM'000
Net profit for the financial period	<u>377,889</u>	<u>414,011</u>	<u>1,185,421</u>	<u>1,329,456</u>
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences	108,057	1,068	109,894	327
Net fair value changes on financial investments available-for-sale	114,608	20,767	68,552	4,101
Net fair value changes in cash flow hedge	(2,237)	(1,406)	(1,915)	(787)
Income tax relating to components of other comprehensive income	<u>(28,870)</u>	<u>(4,841)</u>	<u>(15,004)</u>	<u>(829)</u>
Other comprehensive income for the financial period, net of tax	<u>191,558</u>	<u>15,588</u>	<u>161,527</u>	<u>2,812</u>
Total comprehensive income for the financial period	<u><u>569,447</u></u>	<u><u>429,599</u></u>	<u><u>1,346,948</u></u>	<u><u>1,332,268</u></u>

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

HONG LEONG BANK BERHAD
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Condensed Financial Statements
Unaudited Statements of Changes in Equity For The Financial Period Ended 31 March 2016

	Attributable to owners of the parent										
The Group	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair Value Reserve RM'000	Cash Flow Hedge Reserve RM'000	Share Options Reserve RM'000	Regulatory Reserves * RM'000	Exchange Fluctuation Reserve RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total Shareholders' Equity RM'000
At 1 July 2015	1,879,909	2,872,183	3,575,114	207,975	162	-	399,357	683,966	7,819,514	(648,588)	16,789,592
<u>Comprehensive income</u>											
Net profit for the financial period	-	-	-	-	-	-	-	-	1,344,873	-	1,344,873
- Share of other comprehensive income of associated company	-	-	-	7,437	-	-	-	-	-	-	7,437
- Net fair value changes in financial investments available-for-sale	-	-	-	59,381	-	-	-	-	-	-	59,381
- Net fair value changes in cash flow hedge	-	-	-	-	(1,453)	-	-	-	-	-	(1,453)
- Currency translation differences	-	-	-	-	-	-	-	79,549	-	-	79,549
Total comprehensive income/(loss)	-	-	-	66,818	(1,453)	-	-	79,549	1,344,873	-	1,489,787
<u>Transactions with owners</u>											
Transfer to statutory reserve	-	-	331,847	-	-	-	-	-	(331,847)	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	87,153	-	(87,153)	-	-
Dividends paid	-	-	-	-	-	-	-	-	(765,549)	-	(765,549)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(26,517)	(26,517)
Rights issue	287,809	2,699,162	-	-	-	-	-	-	-	(59,935)	2,927,036
Option charge arising from ESOS granted	-	-	-	-	-	10,134	-	-	-	-	10,134
Total transactions with owners	287,809	2,699,162	331,847	-	-	10,134	87,153	-	(1,184,549)	(86,452)	2,145,104
At 31 March 2016	2,167,718	5,571,345	3,906,961	274,793	(1,291)	10,134	486,510	763,515	7,979,838	(735,040)	20,424,483
At 1 July 2014	1,879,909	2,832,383	3,081,128	186,444	-	2,618	10,266	(6,095)	7,189,104	(645,579)	14,530,178
<u>Comprehensive income</u>											
Net profit for the financial period	-	-	-	-	-	-	-	-	1,618,336	-	1,618,336
- Share of other comprehensive income of associated company	-	-	-	10,618	-	-	-	-	-	-	10,618
- Net fair value changes in financial investments available-for-sale	-	-	-	7,492	-	-	-	-	-	-	7,492
- Net fair value changes in cash flow hedge	-	-	-	-	(590)	-	-	-	-	-	(590)
- Currency translation differences	-	-	-	-	-	-	-	90,603	-	-	90,603
Total comprehensive income/(loss)	-	-	-	18,110	(590)	-	-	90,603	1,618,336	-	1,726,459
<u>Transactions with owners</u>											
Transfer to statutory reserve	-	-	369,296	-	-	-	-	-	(369,296)	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	232,088	-	(232,088)	-	-
Dividends paid	-	-	-	-	-	-	-	-	(724,770)	-	(724,770)
Sale of treasury shares	-	39,241	-	-	-	-	-	-	-	26,447	65,688
ESOS exercised	-	-	-	-	-	(2,618)	-	-	5,070	5,334	7,786
Total transactions with owners	-	39,241	369,296	-	-	(2,618)	232,088	-	(1,321,084)	31,781	(651,296)
At 31 March 2015	1,879,909	2,871,624	3,450,424	204,554	(590)	-	242,354	84,508	7,486,356	(613,798)	15,605,341

* Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM475,265,000 (31 March 2015: RM232,088,000) and the banking subsidiary in Vietnam with the State Bank of Vietnam of RM11,245,000 (31 March 2015: RM10,266,000)

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HONG LEONG BANK BERHAD
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Condensed Financial Statements
Unaudited Statements of Changes in Equity For The Financial Period Ended 31 March 2016

	Non-distributable								Distributable		
<u>The Bank</u>	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair Value Reserve RM'000	Cash Flow Hedge Reserve RM'000	Share Options Reserve RM'000	Regulatory Reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000
At 1 July 2015	1,879,909	2,872,183	3,084,249	214,109	162	-	334,138	38,798	5,653,204	(648,588)	13,428,164
<u>Comprehensive income</u>											
Net profit for the financial period	-	-	-	-	-	-	-	-	1,185,421	-	1,185,421
- Net fair value changes in financial investments available-for-sale	-	-	-	53,086	-	-	-	-	-	-	53,086
- Net fair value changes in cash flow hedge	-	-	-	-	(1,453)	-	-	-	-	-	(1,453)
- Currency translation differences	-	-	-	-	-	-	-	109,894	-	-	109,894
Total comprehensive income/(loss)	-	-	-	53,086	(1,453)	-	-	109,894	1,185,421	-	1,346,948
<u>Transactions with owners</u>											
Transfer to statutory reserve	-	-	296,355	-	-	-	-	-	(296,355)	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	70,251	-	(70,251)	-	-
Dividends paid	-	-	-	-	-	-	-	-	(765,549)	-	(765,549)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(26,517)	(26,517)
Rights issue	287,809	2,699,162	-	-	-	-	-	-	-	(59,935)	2,927,036
Option charge arising from ESOS granted	-	-	-	-	-	10,134	-	-	-	-	10,134
Total transactions with owners	287,809	2,699,162	296,355	-	-	10,134	70,251	-	(1,132,155)	(86,452)	2,145,104
At 31 March 2016	2,167,718	5,571,345	3,380,604	267,195	(1,291)	10,134	404,389	148,692	5,706,470	(735,040)	16,920,216
At 1 July 2014	1,879,909	2,832,383	2,640,258	208,942	-	2,618	-	36,897	5,375,070	(645,579)	12,330,498
<u>Comprehensive income</u>											
Net profit for the financial period	-	-	-	-	-	-	-	-	1,329,456	-	1,329,456
- Net fair value changes in financial investments available-for-sale	-	-	-	3,075	-	-	-	-	-	-	3,075
- Net fair value changes in cash flow hedge	-	-	-	-	(590)	-	-	-	-	-	(590)
- Currency translation differences	-	-	-	-	-	-	-	327	-	-	327
Total comprehensive income/(loss)	-	-	-	3,075	(590)	-	-	327	1,329,456	-	1,332,268
<u>Transactions with owners</u>											
Transfer to statutory reserve	-	-	332,364	-	-	-	-	-	(332,364)	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	203,146	-	(203,146)	-	-
Dividends paid	-	-	-	-	-	-	-	-	(724,770)	-	(724,770)
Sale of treasury shares	-	39,241	-	-	-	-	-	-	-	26,447	65,688
ESOS exercised	-	-	-	-	-	(2,618)	-	-	5,070	5,334	7,786
Total transactions with owners	-	39,241	332,364	-	-	(2,618)	203,146	-	(1,255,210)	31,781	(651,296)
At 31 March 2015	1,879,909	2,871,624	2,972,622	212,017	(590)	-	203,146	37,224	5,449,316	(613,798)	13,011,470

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HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)
Condensed Financial Statements
Unaudited Condensed Statements of Cash Flows
For The Financial Period Ended 31 March 2016

	The Group		The Bank	
	Financial Period Ended 31/03/2016 RM'000	Financial Period Ended 31/03/2015 RM'000	Financial Period Ended 31/03/2016 RM'000	Financial Period Ended 31/03/2015 RM'000
Profit before taxation	1,657,286	2,073,653	1,463,315	1,781,107
Adjustments for non-cash items	<u>(531,250)</u>	<u>(669,097)</u>	<u>(575,482)</u>	<u>(551,226)</u>
Operating profit before working capital changes	1,126,036	1,404,556	887,833	1,229,881
Changes in working capital:				
Net changes in operating assets	3,506,670	(13,692,676)	5,545,198	(11,357,387)
Net changes in operating liabilities	3,264,473	8,271,050	1,332,263	6,471,065
Income taxes and zakat paid	<u>(345,923)</u>	<u>(352,396)</u>	<u>(311,603)</u>	<u>(283,397)</u>
Net cash generated from/(used in) operating activities	<u>7,551,256</u>	<u>(4,369,466)</u>	<u>7,453,691</u>	<u>(3,939,838)</u>
Cash flows from investing activities				
Net purchases of financial investments available-for-sale	(3,491,941)	(2,237,020)	(4,435,282)	(2,427,430)
Net purchases of financial investments held-to-maturity	(1,518,326)	(301,900)	(1,100,013)	(106,839)
Purchase of property and equipment	(127,895)	(145,073)	(128,198)	(122,846)
Net proceeds from sale of property and equipment	2,050	7,978	2,005	7,972
Purchase of intangible assets	(17,857)	(35,750)	(12,483)	(32,696)
Dividends received on financial investments available-for-sale	132,566	84,893	132,566	84,893
Dividend from associated company	97,888	66,893	97,888	66,894
Dividend from joint venture	3,755	-	3,755	-
Dividends from subsidiary companies	-	-	103,940	110,093
Net cash used in investing activities	<u>(4,919,760)</u>	<u>(2,559,979)</u>	<u>(5,335,822)</u>	<u>(2,419,959)</u>
Cash flows from financing activities				
Dividends paid	(765,549)	(724,770)	(765,549)	(724,770)
Repayment of USD 300.0 million senior bonds	(916,350)	-	(916,350)	-
Repayment of Tier 2 subordinated loan	(1,200,000)	(250,000)	(1,200,000)	(250,000)
Issuance of rights shares	2,927,036	-	2,927,036	-
Purchase of treasury shares	(26,517)	-	(26,517)	-
Sale of treasury shares	-	65,688	-	65,688
Cash received from ESOS exercised	-	7,786	-	7,786
Interest paid on subordinated obligations	<u>(226,716)</u>	<u>(241,349)</u>	<u>(231,699)</u>	<u>(246,130)</u>
Net cash used in financing activities	<u>(208,096)</u>	<u>(1,142,645)</u>	<u>(213,079)</u>	<u>(1,147,426)</u>
Net increase/(decrease) in cash and cash equivalents	2,423,400	(8,072,090)	1,904,790	(7,507,223)
Currency translation differences	116,402	383,860	109,619	295,757
Cash and cash equivalents at the beginning of financial period	6,230,283	14,712,789	4,972,372	13,629,775
Cash and cash equivalents at the end of financial period	<u>8,770,085</u>	<u>7,024,559</u>	<u>6,986,781</u>	<u>6,418,309</u>

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

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

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR FINANCIAL PERIOD ENDED 31 MARCH 2016**

A1 Basis of preparation

The unaudited condensed financial statements for the financial period ended 31 March 2016 have been prepared under the historical cost convention, except for the following assets and liabilities which are stated at fair values: financial assets held-for-trading, financial investments available-for-sale and derivative financial instruments.

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

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

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

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

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

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

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

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

During the financial period, the Group and the Bank have transferred RM87.2 million and RM70.3 million respectively from its retained profits to regulatory reserves in accordance with BNM's requirements.

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A1 Basis of preparation (continued)

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

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

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

A3 Seasonality or cyclicity of operations

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

A4 Exceptional items or unusual events affecting financial statements

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

A5 Variation from financial estimates reported in preceding financial period

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

A6 Issuance and repayment of debt and equity securities

Save as detailed below, there were no other new shares issuance, repayment of debt and equity securities, share buy-back and share cancellations, or resale of shares held as treasury shares during the financial period ended 31 March 2016:

a) Share issuance

During the period ended 31 March 2016, the Bank increased its issued and paid-up capital from 1,879,909,100 to 2,167,718,284 via issuance of 287,809,184 new ordinary shares of RM1.00 each on the basis of 4 Rights Share for every 25 existing shares held by HLBB's entitled shareholders on 27 November 2015 at an issue price of RM10.40 per rights share ("Rights Issue").

b) Share Buy-back

There were no purchase of ordinary shares of RM1.00 each ('Shares') from the open market during the financial period ended 31 March 2016.

The total number of shares bought back, all of which were held as treasury shares as at 31 March 2016 amounted to 81,101,700 shares, at an average price per share of RM5.32. None of the treasury shares were resold or cancelled to date.

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

c) Purchase of shares pursuant to ESOS

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

During the financial period ended 31 March 2016, the trust had purchased 2,027,100 shares between 7 July 2015 and 3 December 2015 with total costs of RM26.5 million. Pursuant to the Rights Issue exercise, the trust had subscribed for 5,762,900 shares at the issue price of RM10.40. As at 31 March 2016, the total number of Treasury Shares for ESOS was 41,162,900 at an average carrying value of RM7.37 per share.

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

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

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

During the financial period ended 31 March 2016, a total of 13,000,000 share options lapsed arising from the resignation of some option holders.

Arising from the completion of the Bank's Rights Issue on 28 December 2015, the exercise price for the share options granted on 2 April 2015 was adjusted from RM14.24 to RM13.77 and additional share options of 782,657 were allotted to the option holders, in accordance with the provisions of the bye-laws governing the ESS.

d) Repayment of debt and equity securities

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

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

On 17 March 2016, the Bank had fully redeemed the USD300.0 million Senior Bonds on its maturity date.

A7 Dividends paid

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

An interim single tier dividend of 15.0 sen per share in respect of financial year ended 30 June 2016 amounting to RM306.8 million was paid on 24 March 2016.

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A8 Financial assets held-for-trading

	<u>The Group</u>		<u>The Bank</u>	
	31/03/2016	30/06/2015	31/03/2016	30/06/2015
	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Bank Negara Malaysia bills	-	383,325	-	383,325
Government treasury bills	83,113	78,632	83,113	78,632
Malaysian Government securities	1,106,512	67,769	1,106,512	67,769
Malaysian Government investment certificates	819,242	609,725	798,332	233,383
Bankers' acceptances and Islamic accepted bills	-	30,404	-	30,404
Negotiable instruments of deposit	5,850,554	5,328,784	6,299,807	5,697,230
Cagamas bonds	61,361	35,446	61,361	35,446
Khazanah bonds	18,398	-	18,398	-
	<u>7,939,180</u>	<u>6,534,085</u>	<u>8,367,523</u>	<u>6,526,189</u>
Quoted securities:				
Shares outside Malaysia	3,500	3,394	3,500	3,394
Foreign currency bonds in Malaysia	238,717	375,822	238,717	375,822
Unquoted securities:				
Private and Islamic debt securities	392,502	218,133	392,502	218,133
Foreign currency bonds in Malaysia	69,499	-	69,499	-
Total financial assets held-for-trading	<u><u>8,643,398</u></u>	<u><u>7,131,434</u></u>	<u><u>9,071,741</u></u>	<u><u>7,123,538</u></u>

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A9 Financial investments available-for-sale

	<u>The Group</u>		<u>The Bank</u>	
	31/03/2016	30/06/2015	31/03/2016	30/06/2015
	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Government treasury bills	9,213	168,553	9,213	168,553
Malaysian Government securities	-	10,684	-	10,684
Malaysian Government investment certificates	2,984,715	3,461,207	2,127,939	1,836,986
Other Government securities	61,175	277,911	-	-
Cagamas bonds	1,070,698	886,276	836,364	704,900
Khazanah bonds	119,942	345,140	119,942	345,140
Sukuk	508,939	-	478,536	-
	4,754,682	5,149,771	3,571,994	3,066,263
Quoted Securities:				
Shares in Malaysia	-	16,225	-	16,225
Shares outside Malaysia	26	25	26	25
Wholesale fund	6,530,855	3,206,328	6,530,856	3,206,328
Foreign currency bonds in Malaysia	3,403,979	4,380,452	3,321,749	4,220,916
Foreign currency bonds outside Malaysia	1,834,057	1,452,826	1,834,057	1,452,826
Unquoted securities:				
Private debt securities in Malaysia	6,235,745	5,447,769	5,528,846	4,753,898
Shares in Malaysia	390,753	390,753	390,753	390,753
Shares outside Malaysia	4,259	4,134	4,259	4,134
Foreign currency bonds in Malaysia	1,125,162	259,070	1,091,462	259,070
Total financial investments available-for-sale	24,279,518	20,307,353	22,274,002	17,370,438

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A10 Financial investments held-to-maturity

	<u>The Group</u>		<u>The Bank</u>	
	31/03/2016	30/06/2015	31/03/2016	30/06/2015
	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Government treasury bills	53,649	-	53,649	-
Malaysian Government securities	3,304,262	2,952,499	3,304,262	2,952,499
Malaysian Government investment certificates	7,454,157	6,529,307	5,305,407	4,965,307
Cagamas bonds	30,442	30,454	20,312	20,127
Negotiable instruments of deposit	-	2,338	501,943	501,817
Other Government securities	362,278	335,159	288,750	124,456
Sukuk	465,858	-	455,777	-
	<u>11,670,646</u>	<u>9,849,757</u>	<u>9,930,100</u>	<u>8,564,206</u>
Unquoted securities in Malaysia:				
Loan stocks	49	49	49	49
Private and Islamic debt securities	-	45,789	-	-
Unquoted bonds	486	486	486	486
Investment in preference shares	32,066	54,000	32,066	54,000
	<u>32,601</u>	<u>100,324</u>	<u>32,601</u>	<u>54,535</u>
Total financial investments held-to-maturity	<u>11,703,247</u>	<u>9,950,081</u>	<u>9,962,701</u>	<u>8,618,741</u>

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A11 Loans, advances and financing

	<u>The Group</u>		<u>The Bank</u>	
	31/03/2016	30/06/2015	31/03/2016	30/06/2015
	RM'000	RM'000	RM'000	RM'000
Overdrafts	3,912,453	4,005,025	3,631,243	3,787,272
Term loans/financing:				
- Housing and shop loans/financing	58,977,946	53,828,770	48,927,740	45,074,437
- Syndicated/term loans or financing	9,293,996	9,038,647	7,813,941	7,944,110
- Hire purchase receivables	18,648,008	18,099,246	15,214,313	14,631,741
- Other term loans/financing	8,423,500	8,676,463	6,721,741	7,151,025
Credit/charge card receivables	3,789,590	3,889,314	3,789,590	3,889,314
Bills receivable	1,096,736	1,166,833	1,078,411	1,155,997
Trust receipts	330,265	322,780	254,822	251,752
Claims on customers under acceptance credits	7,094,100	7,369,680	6,724,349	7,051,254
Block discounting	-	14	-	14
Revolving credit	6,629,718	6,549,079	5,496,918	5,301,689
Staff loans/financing	164,731	167,479	151,766	154,767
Other loans/financing	406,579	304,960	405,704	297,986
Gross loans, advances and financing	118,767,622	113,418,290	100,210,538	96,691,358
Unamortised fair value changes arising from terminated fair value hedges	(1,124)	(2,188)	69	547
Allowance for impaired loans, advances and financing:				
- Collective assessment allowance	(946,432)	(969,033)	(794,803)	(822,488)
- Individual assessment allowance	(287,294)	(322,960)	(277,884)	(305,924)
Total net loans, advances and financing	117,532,772	112,124,109	99,137,920	95,563,493

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A11 Loans, advances and financing (continued)

A11a By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	31/03/2016 RM'000	30/06/2015 RM'000	31/03/2016 RM'000	30/06/2015 RM'000
Domestic non-bank financial institutions	512,850	638,549	56,938	88,620
Domestic business enterprises:				
- small and medium enterprises	18,652,494	17,771,812	16,652,475	16,036,000
- others	17,296,435	18,372,803	14,677,251	15,997,698
Government and statutory bodies	24,397	24,448	12,573	12,473
Individuals	75,726,478	70,958,690	62,574,173	59,198,892
Other domestic entities	79,695	171,386	40,215	144,676
Foreign entities	6,475,273	5,480,602	6,196,913	5,212,999
Gross loans, advances and financing	<u>118,767,622</u>	<u>113,418,290</u>	<u>100,210,538</u>	<u>96,691,358</u>

A11b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	31/03/2016 RM'000	30/06/2015 RM'000	31/03/2016 RM'000	30/06/2015 RM'000
Fixed rate:				
- Housing and shop loans/financing	2,612,647	2,738,194	1,548,046	1,658,497
- Hire purchase receivables	18,172,559	17,779,388	14,738,864	14,311,882
- Other fixed rate loan/financing	7,466,155	7,136,893	6,477,855	6,369,916
Variable rate:				
- Base rate/base lending rate plus	74,666,850	69,749,552	63,408,765	60,182,464
- Cost plus	15,464,160	15,694,860	14,037,008	14,168,599
- Other variables rates	385,251	319,403	-	-
Gross loans, advances and financing	<u>118,767,622</u>	<u>113,418,290</u>	<u>100,210,538</u>	<u>96,691,358</u>

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A11 Loans, advances and financing (continued)

A11c By economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2016</u>	<u>30/06/2015</u>	<u>31/03/2016</u>	<u>30/06/2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Purchase of securities	632,687	704,762	625,336	694,801
Purchase of transport vehicles	18,451,202	18,020,496	14,971,824	14,509,560
Purchase of landed properties				
- residential	50,071,208	45,306,604	41,047,796	37,505,118
- non-residential	14,855,275	14,231,669	13,375,879	12,892,318
Purchase of fixed assets (excluding landed properties)	408,217	462,979	372,647	421,120
Personal use	3,728,717	3,523,573	3,048,568	2,945,941
Credit card	3,789,590	3,889,314	3,789,590	3,889,314
Purchase of consumer durables	393	418	393	418
Construction	1,464,286	1,257,882	1,223,050	1,049,262
Mergers and acquisition	238,414	258,988	238,414	258,988
Working capital	23,039,376	23,432,987	19,676,239	20,396,334
Other purpose	2,088,257	2,328,618	1,840,802	2,128,184
Gross loans, advances and financing	<u>118,767,622</u>	<u>113,418,290</u>	<u>100,210,538</u>	<u>96,691,358</u>

A11d By geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2016</u>	<u>30/06/2015</u>	<u>31/03/2016</u>	<u>30/06/2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	113,492,322	109,283,009	95,777,186	93,141,474
Singapore	4,397,826	3,529,821	4,397,826	3,529,821
Hong Kong	35,526	20,063	35,526	20,063
Vietnam	385,251	319,403	-	-
Cambodia	456,697	265,994	-	-
Gross loans, advances and financing	<u>118,767,622</u>	<u>113,418,290</u>	<u>100,210,538</u>	<u>96,691,358</u>

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A11 Loans, advances and financing (continued)

A11e By residual contractual maturity

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2016</u>	<u>30/06/2015</u>	<u>31/03/2016</u>	<u>30/06/2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Within one year	29,104,595	28,564,745	26,912,599	26,844,178
One year to less than three years	7,212,280	7,821,134	6,185,236	6,499,875
Three years to less than five years	10,752,738	10,257,963	8,648,789	8,464,914
Five years and more	71,698,009	66,774,448	58,463,914	54,882,391
Gross loans, advances and financing	<u>118,767,622</u>	<u>113,418,290</u>	<u>100,210,538</u>	<u>96,691,358</u>

A11f Impaired loans, advances and financing by economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2016</u>	<u>30/06/2015</u>	<u>31/03/2016</u>	<u>30/06/2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Purchase of securities	229	235	229	235
Purchase of transport vehicles	157,266	184,069	122,288	144,718
Purchase of landed properties				
- residential	231,385	207,232	167,828	148,743
- non-residential	79,811	46,190	77,626	43,695
Purchase of fixed assets (excluding landed properties)	24,157	34,188	22,942	32,943
Personal use	39,621	34,714	35,373	30,000
Credit card	51,042	42,907	51,042	42,907
Purchase of consumer durables	-	4	-	4
Construction	7,714	4,114	5,716	2,082
Working capital	358,569	365,444	350,671	348,978
Other purpose	19,101	28,863	19,101	28,495
Gross impaired loans, advances and financing	<u>968,895</u>	<u>947,960</u>	<u>852,816</u>	<u>822,800</u>

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A11 Loans, advances and financing (continued)

A11g Impaired loans, advances and financing by geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2016</u>	<u>30/06/2015</u>	<u>31/03/2016</u>	<u>30/06/2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	955,909	935,235	847,399	822,800
Singapore	5,417	-	5,417	-
Vietnam	7,569	12,725	-	-
Gross impaired loans, advances and financing	<u>968,895</u>	<u>947,960</u>	<u>852,816</u>	<u>822,800</u>

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

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2016</u>	<u>30/06/2015</u>	<u>31/03/2016</u>	<u>30/06/2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
At 1 July	947,960	1,231,735	822,800	1,025,115
Impaired during the financial period/year	1,222,024	1,525,359	1,035,327	1,275,080
Performing during the financial period/year	(610,664)	(792,443)	(489,491)	(637,758)
Amount written back in respect of recoveries	(264,812)	(480,590)	(225,953)	(403,171)
Amount written off	(325,202)	(541,798)	(289,360)	(436,696)
Exchange difference	(411)	5,697	(507)	230
At 31 March	<u>968,895</u>	<u>947,960</u>	<u>852,816</u>	<u>822,800</u>
Gross impaired loans as a % of gross loans, advances and financing	<u>0.8%</u>	<u>0.8%</u>	<u>0.9%</u>	<u>0.9%</u>

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A11 Loans, advances and financing (continued)

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

	<u>The Group</u>		<u>The Bank</u>	
	31/03/2016	30/06/2015	31/03/2016	30/06/2015
	RM'000	RM'000	RM'000	RM'000
<u>Collective Assessment Allowance</u>				
At 1 July	969,033	1,076,604	822,488	922,286
Net allowances made during the financial period/year	266,950	213,457	231,070	189,171
Amount transferred to individual assessment	(109)	(94)	(109)	(94)
Amount written off	(280,771)	(310,003)	(251,574)	(279,587)
Unwinding income	(8,907)	(12,129)	(7,320)	(9,802)
Exchange difference	236	1,198	248	514
At 31 March	<u>946,432</u>	<u>969,033</u>	<u>794,803</u>	<u>822,488</u>
Collective assessment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing less individual impairment allowance	<u>1.20%</u>	<u>1.20%</u>	<u>1.20%</u>	<u>1.20%</u>
<u>Individual Assessment Allowance</u>				
At 1 July	322,960	511,453	305,924	433,037
Allowances made during the financial period/year	38,562	80,769	37,016	63,314
Amount transferred from collective assessment	109	94	109	94
Amount transferred to allowance for impairment losses on securities	(2,566)	(5,274)	(1,450)	(5,274)
Amount written back in respect of recoveries	(53,746)	(130,588)	(48,784)	(105,052)
Amount written off	(14,876)	(132,862)	(12,009)	(75,368)
Unwinding income	(3,009)	(5,360)	(2,811)	(5,057)
Exchange difference	(140)	4,728	(111)	230
At 31 March	<u>287,294</u>	<u>322,960</u>	<u>277,884</u>	<u>305,924</u>

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A12 Other assets

	<u>The Group</u>		<u>The Bank</u>	
	31/03/2016	30/06/2015	31/03/2016	30/06/2015
	RM'000	RM'000	RM'000	RM'000
Foreclosed properties	939	1,023	939	1,023
Sundry debtors and other prepayments	163,519	257,391	139,777	155,892
Treasury related receivables	646,916	429,244	636,862	429,244
Collateral pledged for derivative transactions	647,625	509,483	647,625	509,483
Other receivables	238,165	98,278	231,992	54,263
	<u>1,697,164</u>	<u>1,295,419</u>	<u>1,657,195</u>	<u>1,149,905</u>

A13 Deposits from customers

A13a By type of deposit

	<u>The Group</u>		<u>The Bank</u>	
	31/03/2016	30/06/2015	31/03/2016	30/06/2015
	RM'000	RM'000	RM'000	RM'000
Fixed deposits	84,554,134	77,791,311	72,331,262	67,159,273
Negotiable instruments of deposits	10,614,365	12,879,060	9,642,426	11,412,543
Short-term placements	14,361,903	13,145,658	12,938,533	12,295,104
	<u>109,530,402</u>	<u>103,816,029</u>	<u>94,912,221</u>	<u>90,866,920</u>
Demand deposits	19,753,226	20,065,136	17,056,852	17,553,946
Saving deposits	15,898,679	15,823,857	13,400,878	13,348,698
Others	892,971	640,821	846,183	630,045
Gross deposits from customers	<u>146,075,278</u>	<u>140,345,843</u>	<u>126,216,134</u>	<u>122,399,609</u>
Fair value changes arising from designation at fair value through profit or loss *	(28,503)	(69,695)	(23,130)	(62,565)
Total net deposits from customers	<u>146,046,775</u>	<u>140,276,148</u>	<u>126,193,004</u>	<u>122,337,044</u>

* The Group and the Bank have issued structured deposits (Callable Range Accrual Notes) and designated them at fair value through profit or loss. This designation is permitted under MFRS 139 "Financial Instruments: Recognition and Measurement" as it significantly reduces accounting mismatch. These instruments are managed by the Group on the basis of its fair value and includes terms that have substantive derivative characteristic. The structured deposits designated at fair value amounted to RM1,553 million (2015: RM1,542 million) for the Group and RM1,187 million (2015: RM1,214 million) for the Bank respectively.

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A13 Deposits from customers (continued)

A13b By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2016</u>	<u>30/06/2015</u>	<u>31/03/2016</u>	<u>30/06/2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Government and statutory bodies	1,630,584	3,011,265	984,857	2,127,107
Business enterprises	63,927,075	65,026,828	52,869,843	55,067,415
Individuals	78,142,307	70,231,983	70,244,611	63,279,300
Others	2,375,312	2,075,767	2,116,823	1,925,787
Gross deposits from customers	<u>146,075,278</u>	<u>140,345,843</u>	<u>126,216,134</u>	<u>122,399,609</u>

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

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2016</u>	<u>30/06/2015</u>	<u>31/03/2016</u>	<u>30/06/2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Due within six months	84,671,041	78,605,267	73,411,446	68,018,244
More than six months to one year	21,692,858	21,105,271	18,750,203	19,165,497
More than one year to five years	2,632,959	3,375,491	2,217,028	2,953,179
More than five years	533,544	730,000	533,544	730,000
	<u>109,530,402</u>	<u>103,816,029</u>	<u>94,912,221</u>	<u>90,866,920</u>

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A14 Deposits and placements of banks and other financial institutions

	<u>The Group</u>		<u>The Bank</u>	
	31/03/2016	30/06/2015	31/03/2016	30/06/2015
	RM'000	RM'000	RM'000	RM'000
Licensed banks	5,512,050	6,389,746	5,297,925	6,133,109
Licensed investment banks	32,753	123,241	14,801	-
Licensed Islamic banks	-	49,004	-	-
Other financial institutions	818,642	534,240	-	-
	<u>6,363,445</u>	<u>7,096,231</u>	<u>5,312,726</u>	<u>6,133,109</u>
The maturity structure of deposits and placements of banks and other financial institutions:				
- One year or less (short-term)	<u>6,363,445</u>	<u>7,096,231</u>	<u>5,312,726</u>	<u>6,133,109</u>

A15 Other liabilities

	<u>The Group</u>		<u>The Bank</u>	
	31/03/2016	30/06/2015	31/03/2016	30/06/2015
	RM'000	RM'000	RM'000	RM'000
Zakat	612	350	-	-
Post employment benefits obligation				
- defined contribution plan	291	288	291	288
Loan advance payment	2,567,674	2,268,769	2,083,533	1,845,747
Amount due to subsidiary companies	-	-	29,082	29,016
Treasury and cheque clearing	35,797	533,584	35,797	413,043
Treasury related payables	213,295	174,206	212,152	173,063
Sundry creditors and accruals	493,601	534,896	380,741	436,044
Provision for bonus and staff related expenses	55,638	93,525	52,767	89,442
Others	312,571	295,501	337,799	277,363
	<u>3,679,479</u>	<u>3,901,119</u>	<u>3,132,162</u>	<u>3,264,006</u>

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A16 Senior bonds

		<u>The Group and The Bank</u>	
		31/03/2016	30/06/2015
		RM'000	RM'000
	Note		
USD 300 million senior bonds, at par	(a)	-	916,350
USD 300 million senior bonds, at par	(b)	919,200	919,200
Foreign exchange translations		250,800	435,750
		<u>1,170,000</u>	<u>2,271,300</u>
Add: Interest payable		16,453	19,401
		<u>1,186,453</u>	<u>2,290,701</u>
Less: Unamortised discounts		(2,084)	(4,321)
		<u>1,184,369</u>	<u>2,286,380</u>

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

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

On 17 March 2016, the Bank had fully redeemed the Bonds of USD300.0 million on its maturity date.

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

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

A17 Tier 2 subordinated bonds

		<u>The Group</u>		<u>The Bank</u>	
		31/03/2016	30/06/2015	31/03/2016	30/06/2015
		RM'000	RM'000	RM'000	RM'000
	Note				
RM700 million Tier 2 subordinated debt, at par	(a)	-	700,000	-	700,000
Add: Interest payable		-	13,115	-	13,115
		<u>-</u>	<u>713,115</u>	<u>-</u>	<u>713,115</u>
Less: Unamortised discounts		-	(2)	-	(2)
		<u>-</u>	<u>713,113</u>	<u>-</u>	<u>713,113</u>
RM1.0 billion Tier 2 subordinated debt, at par	(b)	1,000,000	1,000,000	1,000,000	1,000,000
Add: Interest payable		17,638	6,793	17,638	6,793
		<u>1,017,638</u>	<u>1,006,793</u>	<u>1,017,638</u>	<u>1,006,793</u>
Less: Unamortised discounts		(2)	(124)	(2)	(124)
		<u>1,017,636</u>	<u>1,006,669</u>	<u>1,017,636</u>	<u>1,006,669</u>

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A17 Tier 2 subordinated bonds (continued)

		<u>The Group</u>		<u>The Bank</u>	
		<u>31/03/2016</u>	<u>30/06/2015</u>	<u>31/03/2016</u>	<u>30/06/2015</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Subordinated medium term notes, at par	(c)	-	500,000	-	500,000
Add: Interest payable		-	65	-	65
		-	500,065	-	500,065
Less: Unamortised discounts		-	(350)	-	(350)
Fair value adjustments on completion of business combination accounting		-	(147)	-	(147)
		-	499,568	-	499,568
RM1.5 billion Tier 2 subordinated debt, at par	(d)	1,500,000	1,500,000	1,500,000	1,500,000
Add: Interest payable		18,679	1,664	18,679	1,664
		1,518,679	1,501,664	1,518,679	1,501,664
Less: Unamortised discounts		(686)	(1,027)	(686)	(1,027)
		1,517,993	1,500,637	1,517,993	1,500,637
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(e)	400,000	400,000	-	-
Add: Profit payable		5,576	736	-	-
		405,576	400,736	-	-
Less: Unamortised discounts		(293)	(431)	-	-
		405,283	400,305	-	-
RM500 million Tier 2 subordinated notes, at par	(f)	500,000	500,000	500,000	500,000
Add: Interest payable		6,575	526	6,575	526
		506,575	500,526	506,575	500,526
Less: Unamortised discounts		(672)	(1,006)	(672)	(1,006)
		505,903	499,520	505,903	499,520
		<u>3,446,815</u>	<u>4,619,812</u>	<u>3,041,532</u>	<u>4,219,507</u>

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

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

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

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A17 Tier 2 subordinated bonds (continued)

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

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

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

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

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

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

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

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

On 30 December 2015, HLB had fully redeemed the third tranche of RM500.0 million nominal value of the 10 non-callable 5 years subordinated MTNs bearing coupon rate of 4.75% per annum.

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A17 Tier 2 subordinated bonds (continued)

- (d) On 22 June 2012, the Bank had completed the issuance of RM1.5 billion nominal value of Tier 2 Subordinated Notes ("Sub Notes"). The RM1.5 billion Sub Notes will mature in 2024 and are callable on any interest payment date falling on or after the 7th anniversary of the issue date subject to approval of BNM. The Sub Notes which bears interest of 4.50% per annum is payable semi-annually in arrears.

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

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

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

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

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

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A18 Non-innovative Tier 1 stapled securities

	<u>The Group and The Bank</u>	
	31/03/2016	30/06/2015
	RM'000	RM'000
RM1.4 billion Non-Innovative Tier 1 stapled securities, at par	1,400,000	1,400,000
Add: Interest payable	28,667	11,040
	1,428,667	1,411,040
Less: Unamortised discounts	(3)	(171)
	<u>1,428,664</u>	<u>1,410,869</u>

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

The NIT-1 Stapled Securities constitute unsecured liabilities of the Bank, and is subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue and qualify as Tier 1 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

A19 Innovative Tier 1 capital securities

	<u>The Group and The Bank</u>	
	31/03/2016	30/06/2015
	RM'000	RM'000
RM500 million Innovative Tier 1 capital securities at par	500,000	500,000
Add: Interest payable	2,486	12,771
	502,486	512,771
Less: Unamortised discounts	(6,188)	(7,367)
Fair value adjustments on completion of business combination accounting	16,902	24,819
	<u>513,200</u>	<u>530,223</u>

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

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

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

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A20 Interest income

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2016 RM'000	31/03/2015 RM'000	31/03/2016 RM'000	31/03/2015 RM'000
<u>Group</u>				
Loan, advances and financing	1,169,147	1,105,549	3,477,587	3,281,557
Money at call and deposit placements with financial institutions	60,910	44,022	144,447	214,090
Securities purchased under resale agreements	31,380	39,239	118,475	126,730
Financial assets held-for-trading	145,957	147,386	401,052	426,407
Financial investments available-for-sale	121,838	114,603	366,875	317,757
Financial investments held-to-maturity	77,596	64,735	227,679	194,390
Others	136	82	298	254
	<u>1,606,964</u>	<u>1,515,616</u>	<u>4,736,413</u>	<u>4,561,185</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>11,830</u>	<u>14,380</u>	<u>36,743</u>	<u>44,619</u>

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2016 RM'000	31/03/2015 RM'000	31/03/2016 RM'000	31/03/2015 RM'000
<u>Bank</u>				
Loan, advances and financing	1,153,048	1,095,377	3,433,712	3,254,509
Money at call and deposit placements with financial institutions	57,062	44,500	139,699	219,501
Securities purchased under resale agreements	31,380	39,239	118,475	126,730
Financial assets held-for-trading	156,344	149,837	427,584	433,895
Financial investments available-for-sale	121,494	108,394	362,999	298,263
Financial investments held-to-maturity	80,683	67,098	236,786	202,445
Others	112	77	268	244
	<u>1,600,123</u>	<u>1,504,522</u>	<u>4,719,523</u>	<u>4,535,587</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>11,830</u>	<u>14,380</u>	<u>36,743</u>	<u>44,619</u>

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A21 Interest expense

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Deposits and placements of banks and other financial institutions	22,048	14,792	56,693	50,274
Deposits from customers	762,771	691,145	2,201,885	1,978,159
Short-term placements	87,373	59,274	223,381	162,174
Senior bonds	20,373	19,189	65,206	54,775
Tier 2 subordinated bonds	33,873	48,450	118,567	153,120
Non-innovative Tier 1 stapled securities	17,655	17,574	53,436	53,579
Innovative Tier 1 capital securities	8,248	7,694	24,340	22,640
Others	274	219	753	2,435
	<u>952,615</u>	<u>858,337</u>	<u>2,744,261</u>	<u>2,477,156</u>

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Deposits and placements of banks and other financial institutions	22,616	14,545	61,930	53,560
Deposits from customers	770,799	693,974	2,224,369	1,988,316
Short-term placements	87,373	59,274	223,381	162,174
Senior bonds	20,373	19,189	65,206	54,775
Tier 2 subordinated bonds	33,886	48,446	118,572	153,114
Non-innovative Tier 1 stapled securities	17,655	17,574	53,436	53,579
Innovative Tier 1 capital securities	8,248	7,694	24,340	22,640
Others	274	219	753	2,435
	<u>961,224</u>	<u>860,915</u>	<u>2,771,987</u>	<u>2,490,593</u>

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A22 Net income from Islamic Banking business

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2016 RM'000	31/03/2015 RM'000	31/03/2016 RM'000	31/03/2015 RM'000
Group				
Income derived from investment of depositors' funds and others	264,043	226,452	735,445	674,423
of which Finance income	260,082	223,281	730,171	668,815
of which other operating income	3,961	3,171	5,274	5,608
Income derived from investment of shareholders' funds	20,096	19,579	87,306	64,267
of which Finance income	14,080	19,414	54,958	58,156
of which other operating income	6,016	165	32,348	6,111
Income attributable to depositors	(169,991)	(146,985)	(476,431)	(423,727)
	<u>114,148</u>	<u>99,046</u>	<u>346,320</u>	<u>314,963</u>

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A23 Other operating income

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
(a) <u>Fee income:</u>				
Commissions	34,102	39,860	110,489	118,286
Service charges and fees	15,555	11,498	39,138	36,935
Guarantee fees	4,949	5,556	12,710	15,099
Credit card related fees	60,387	59,405	184,966	179,972
Corporate advisory fees	61	275	761	2,230
Commitment fees	8,494	8,309	26,248	26,429
Fee on loans, advances and financing	13,475	14,077	42,121	44,111
Other fee income	25,869	7,088	41,733	33,697
	<u>162,892</u>	<u>146,068</u>	<u>458,166</u>	<u>456,759</u>
(b) <u>Gain arising from sale of financial assets:</u>				
Net gain from sale of financial assets held-for-trading	16,871	12,125	22,163	24,590
Net gain/(loss) from sale of derivative financial instruments	18,458	6,424	5,054	(14,955)
Net gain from sale of financial investments available-for-sale	26,212	48,944	36,731	88,830
Net gain from redemption of financial investments held-to-maturity	2	59	31	330
	<u>61,543</u>	<u>67,552</u>	<u>63,979</u>	<u>98,795</u>
(c) <u>Gross dividend income from:</u>				
Financial investments available-for-sale	<u>55,796</u>	<u>32,882</u>	<u>132,566</u>	<u>84,893</u>

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A23 Other operating income (continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2016 RM'000	31/03/2015 RM'000	31/03/2016 RM'000	31/03/2015 RM'000
(d) <u>Net unrealised loss on revaluation of:</u>				
- Financial assets held-for-trading	17,490	5,634	19,238	3,219
- Derivatives financial instruments	(106,407)	(50,070)	(66,629)	(32,455)
	<u>(88,917)</u>	<u>(44,436)</u>	<u>(47,391)</u>	<u>(29,236)</u>
(e) <u>Amortisation of fair value changes arising from terminated fair value hedges</u>	<u>(73)</u>	<u>(480)</u>	<u>(477)</u>	<u>(2,924)</u>
(f) <u>Other income:</u>				
Foreign exchange gain/(loss)	37,165	18,842	138,029	(4,784)
Rental income	991	1,359	2,861	4,082
Gain on disposal of property and equipment (net)	1,237	4,507	1,257	6,091
Other non-operating income	3,102	5,488	11,517	13,445
	<u>42,495</u>	<u>30,196</u>	<u>153,664</u>	<u>18,834</u>
Total other operating income	<u>233,736</u>	<u>231,782</u>	<u>760,507</u>	<u>627,121</u>

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A23 Other operating income (continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
(a) <u>Fee income:</u>				
Commissions	33,853	39,572	109,633	117,546
Service charges and fees	15,424	11,411	38,812	36,673
Guarantee fees	4,938	5,522	12,658	15,015
Credit card related fees	60,387	59,405	184,966	179,972
Corporate advisory fees	61	275	761	2,230
Commitment fees	8,410	8,271	26,023	26,355
Fee on loans, advances and financing	12,726	13,644	40,098	43,087
Other fee income	25,855	7,030	41,670	33,569
	<u>161,654</u>	<u>145,130</u>	<u>454,621</u>	<u>454,447</u>
(b) <u>Gain arising from sale of financial assets:</u>				
Net gain from sale of financial assets held-for-trading	16,871	12,125	22,163	24,590
Net gain/(loss) from sale of derivative financial instruments	18,458	6,424	5,054	(14,955)
Net gain from sale of financial investments available-for-sale	26,212	47,567	36,731	80,189
Net gain from redemption of financial investments held-to-maturity	2	59	31	330
	<u>61,543</u>	<u>66,175</u>	<u>63,979</u>	<u>90,154</u>
(c) <u>Gross dividend income from:</u>				
Subsidiary companies	31,500	40,040	103,940	110,093
Associated company	-	-	134,143	91,669
Investment in joint venture	-	-	5,145	-
Financial investments available-for-sale	55,796	32,882	132,566	84,893
	<u>87,296</u>	<u>72,922</u>	<u>375,794</u>	<u>286,655</u>

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A23 Other operating income (continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2016 RM'000	31/03/2015 RM'000	31/03/2016 RM'000	31/03/2015 RM'000
(d) <u>Net unrealised loss on revaluation of:</u>				
- Financial assets held-for-trading	17,490	5,634	19,238	3,219
- Derivatives financial instruments	(106,407)	(50,070)	(66,629)	(32,455)
	<u>(88,917)</u>	<u>(44,436)</u>	<u>(47,391)</u>	<u>(29,236)</u>
(e) <u>Amortisation of fair value changes arising from terminated fair value hedges</u>	<u>(73)</u>	<u>(526)</u>	<u>(477)</u>	<u>(2,541)</u>
(f) <u>Other income:</u>				
Foreign exchange gain/(loss)	36,937	19,063	137,285	(4,121)
Rental income	991	1,359	2,861	4,082
Gain on disposal of property and equipment (net)	1,237	4,507	1,257	6,091
Other non-operating income	3,072	5,466	11,367	13,420
	<u>42,237</u>	<u>30,395</u>	<u>152,770</u>	<u>19,472</u>
Total other operating income	<u>263,740</u>	<u>269,660</u>	<u>999,296</u>	<u>818,951</u>

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A24 Other operating expenses

	3rd Quarter Ended		Cumulative Nine Months Ended	
Group	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	237,091	250,083	704,432	695,348
- Mutual separation scheme ("MSS") *	-	-	171,658	-
- Medical expenses	7,322	7,401	22,000	19,771
- Training and convention expenses	5,327	(6,509)	25,439	8,506
- Staff welfare	2,891	2,248	6,318	6,981
- Others	8,709	7,325	23,791	19,501
	<u>261,340</u>	<u>260,548</u>	<u>953,638</u>	<u>750,107</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	20,145	18,285	58,299	52,532
- Amortisation of intangible assets	18,598	17,216	54,532	51,806
- Rental of premises	20,780	19,889	63,160	58,626
- Information technology expenses	25,672	26,261	86,535	82,684
- Security services	5,142	7,032	19,607	19,972
- Electricity, water and sewerage	5,876	6,023	17,689	18,072
- Hire of plant and machinery	4,128	3,580	11,913	10,346
- Others	5,065	6,049	14,102	17,288
	<u>105,406</u>	<u>104,335</u>	<u>325,837</u>	<u>311,326</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	10,456	10,778	25,546	22,034
- Credit card related fees	28,749	29,116	90,540	87,022
- Others	3,590	4,165	11,674	11,091
	<u>42,795</u>	<u>44,059</u>	<u>127,760</u>	<u>120,147</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	1,849	3,885	9,289	10,772
- Stationery and printing expenses	4,730	4,562	12,872	13,686
- Professional fees	18,543	9,425	53,341	49,789
- Insurance fees	10,004	9,685	28,716	27,773
- Stamp, postage and courier	3,606	5,215	14,540	15,683
- Travelling and transport expenses	1,366	1,530	3,497	4,713
- Registration and license fees	2,046	2,111	6,481	4,493
- Brokerage and commission	1,560	1,473	4,904	5,189
- Credit card fees	9,422	8,815	27,453	23,812
- Others	9,402	(5,269)	24,617	5,387
	<u>62,528</u>	<u>41,432</u>	<u>185,710</u>	<u>161,297</u>
	<u>472,069</u>	<u>450,374</u>	<u>1,592,945</u>	<u>1,342,877</u>

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

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A24 Other operating expenses (continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	198,169	206,376	590,098	580,021
- Mutual separation scheme ("MSS") *	-	-	167,074	-
- Medical expenses	6,229	6,223	18,707	16,661
- Training and convention expenses	4,750	(5,964)	22,761	7,686
- Staff welfare	2,560	1,947	5,443	5,930
- Others	7,180	6,262	19,428	16,400
	<u>218,888</u>	<u>214,844</u>	<u>823,511</u>	<u>626,698</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	18,623	17,177	53,839	49,642
- Amortisation of intangible assets	17,372	16,956	51,738	49,682
- Rental of premises	17,250	16,299	52,608	48,362
- Information technology expenses	23,607	23,579	79,543	75,269
- Security services	4,105	5,671	15,786	16,137
- Electricity, water and sewerage	5,113	5,219	15,423	15,622
- Hire of plant and machinery	3,938	3,341	11,373	9,508
- Others	1,809	2,453	4,442	6,549
	<u>91,817</u>	<u>90,695</u>	<u>284,752</u>	<u>270,771</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	9,848	9,605	23,017	19,171
- Credit card related fees	28,749	29,116	90,540	87,022
- Others	2,881	3,573	9,716	9,692
	<u>41,478</u>	<u>42,294</u>	<u>123,273</u>	<u>115,885</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	1,758	3,806	8,997	10,521
- Stationery and printing expenses	4,574	4,346	12,436	13,136
- Professional fees	18,167	8,955	51,669	48,005
- Insurance fees	8,965	8,016	25,834	23,772
- Stamp, postage and courier	3,562	5,159	14,379	15,540
- Travelling and transport expenses	1,074	1,228	2,668	3,746
- Registration and license fees	1,979	1,968	5,763	4,109
- Brokerage and commission	867	1,166	3,024	4,128
- Credit card fees	9,422	8,815	27,453	23,812
- Others	7,889	(3,985)	23,259	8,169
	<u>58,257</u>	<u>39,474</u>	<u>175,482</u>	<u>154,938</u>
	<u>410,440</u>	<u>387,307</u>	<u>1,407,018</u>	<u>1,168,292</u>

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

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

	3rd Quarter Ended		Cumulative Nine Months Ended	
<u>Group</u>	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	RM'000	RM'000	RM'000	RM'000
Allowance for/(write back of) impairment losses on loans, advances and financing:				
- collective assessment allowance	88,460	38,445	266,950	153,918
- individual assessment allowance	(13,740)	2,420	(15,184)	(64,351)
Impaired loans and financing:				
- written off	5,713	12,184	16,822	40,273
- recovered from bad debt written off	(60,530)	(59,721)	(164,625)	(205,335)
	<u>19,903</u>	<u>(6,672)</u>	<u>103,963</u>	<u>(75,495)</u>

	3rd Quarter Ended		Cumulative Nine Months Ended	
<u>Bank</u>	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	RM'000	RM'000	RM'000	RM'000
Allowance for/(write back of) impairment losses on loans, advances and financing:				
- collective assessment allowance	81,394	26,395	231,070	138,774
- individual assessment allowance	(9,350)	(307)	(11,768)	(56,383)
Impaired loans and financing:				
- written off	4,982	4,563	12,732	31,520
- recovered from bad debt written off	(54,398)	(52,657)	(148,405)	(185,804)
	<u>22,628</u>	<u>(22,006)</u>	<u>83,629</u>	<u>(71,893)</u>

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A26 Capital adequacy

The Group's and the Bank's regulatory capital is governed by BNM Capital Adequacy Framework guidelines. The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) issued on 28 November 2012 and its revised version on 13 October 2015 (the "Framework"). The Framework sets out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirement on Capital Conservation Buffer ("CCB") and Counter Cyclical Buffer ("CCyB"). The minimum capital adequacy requirements for Common Equity Tier I (CET I) capital ratio, Tier I capital ratio and Total capital ratio are 4.50%, 6.00% and 8.00% respectively. The Group and the Bank are also required to maintain CCB of up to 2.50% of total risk weighted assets ("RWA"), which is phased in starting with 0.625% in year 2016, 1.250% in year 2017, 1.875% in year 2018 and 2.500% in year 2019. The CCyB which ranges from 0% up to 2.50% is determined as the weighted average of prevailing CcyB rates applied in the jurisdictions in which a financial institution has credit exposures. There is no BNM announcement on the CcyB rates yet.

The RWA of the Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk computation.

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

	The Group		The Bank	
	Financial Period Ended	Financial Year Ended	Financial Period Ended	Financial Year Ended
	31/03/2016	30/06/2015	31/03/2016	30/06/2015
Before deducting proposed dividends				
CET I capital ratio	12.410%	11.147%	11.874%	9.861%
Tier I capital ratio	13.347%	12.297%	12.954%	11.179%
Total capital ratio	<u>15.736%</u>	<u>14.715%</u>	<u>15.857%</u>	<u>14.226%</u>
After deducting proposed dividends				
CET I capital ratio	12.410%	10.750%	11.874%	9.406%
Tier I capital ratio	13.347%	11.900%	12.954%	10.724%
Total capital ratio	<u>15.736%</u>	<u>14.318%</u>	<u>15.857%</u>	<u>13.771%</u>

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A26 Capital adequacy (continued)

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

	The Group		The Bank	
	Financial Period Ended 31/03/2016 RM'000	Financial Year Ended 30/06/2015 RM'000	Financial Period Ended 31/03/2016 RM'000	Financial Year Ended 30/06/2015 RM'000
CET I capital				
Paid-up share capital	2,167,718	1,879,909	2,167,718	1,879,909
Share premium	5,571,345	2,872,183	5,571,345	2,872,183
Retained profits	7,328,096	7,819,514	5,328,581	5,653,204
Other reserves	4,815,512	4,363,914	3,659,668	3,219,396
Less: Treasury shares	(735,040)	(648,588)	(735,040)	(648,588)
Less: Other intangible assets	(281,779)	(318,107)	(263,542)	(302,801)
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)
Less : Investment in subsidiary companies/ associated company/joint venture	(1,933,354)	(1,242,626)	(1,429,447)	(952,672)
Total CET I capital	15,101,186	12,894,887	12,527,736	9,949,084
Additional Tier I capital				
Non-innovative Tier I stapled securities	840,000	980,000	840,000	980,000
Innovative Tier I capital securities	300,000	350,000	300,000	350,000
Total additional Tier I capital	1,140,000	1,330,000	1,140,000	1,330,000
Total Tier I capital	16,241,186	14,224,887	13,667,736	11,279,084
Tier II capital				
Collective assessment allowance [^] and regulatory reserves #	1,196,042	1,109,877	1,015,750	951,123
Subordinated bonds	2,999,312	3,552,000	2,999,312	3,552,000
Tier II capital before regulatory adjustments	4,195,354	4,661,877	4,015,062	4,503,123
Less: Regulatory adjustments				
Investment in subsidiary companies	-	-	(543,670)	(815,066)
Investment in associated company	(1,233,747)	(1,786,666)	(378,610)	(567,915)
Investment in joint venture	(55,156)	(77,274)	(30,684)	(46,027)
Total Tier II capital	2,906,451	2,797,937	3,062,098	3,074,115
Total capital	19,147,637	17,022,824	16,729,834	14,353,199

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

Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM475,265,000 (2015: RM388,112,000) and RM404,389,000 (2015: RM334,138,000) respectively.

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A26 Capital adequacy (continued)

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

	The Group		The Bank	
	Financial Period Ended 31/03/2016 RM'000	Financial Year Ended 30/06/2015 RM'000	Financial Period Ended 31/03/2016 RM'000	Financial Year Ended 30/06/2015 RM'000
Credit risk	110,362,746	105,009,787	94,963,249	91,202,163
Market risk	3,722,113	3,052,311	3,860,984	3,065,215
Operational risk	7,597,615	7,620,076	6,681,756	6,627,632
Total RWA	121,682,474	115,682,174	105,505,989	100,895,010

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

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	Financial Period Ended 31/03/2016	Financial Year Ended 30/06/2015
Before deducting proposed dividends		
CET I capital ratio	10.502%	11.323%
Tier I capital ratio	10.502%	11.323%
Total capital ratio	<u>14.177%</u>	<u>15.240%</u>
After deducting proposed dividends		
CET I capital ratio	10.502%	11.253%
Tier I capital ratio	10.502%	11.253%
Total capital ratio	<u>14.177%</u>	<u>15.170%</u>

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A27 Group segmental reporting on revenue, profit and assets

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

The various business segments are described below:

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

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

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

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

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

Financial quarter ended 31/03/2016

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Others and Inter-Segment Elimination RM'000	Total RM'000
<u>By business segment</u>						
External revenue	626,919	103,776	329,570	55,054	(113,086)	1,002,233
Inter-segment revenue	(57,579)	134,470	(203,097)	-	126,206	-
Segment revenue	<u>569,340</u>	<u>238,246</u>	<u>126,473</u>	<u>55,054</u>	<u>13,120</u>	<u>1,002,233</u>
Segment profit before taxation	199,828	182,625	98,590	1,390	30,036	512,469
Share of profit after tax of equity accounted associated company				89,573		89,573
Share of profit after tax of equity accounted joint venture				4,600		4,600
Profit before taxation						<u>606,642</u>
Taxation						<u>(108,812)</u>
Profit after taxation						<u><u>497,830</u></u>

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

Financial period ended 31/03/2016

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Others and Inter-Segment Elimination RM'000	Total RM'000
<u>By business segment</u>						
External revenue	1,955,739	333,288	999,519	159,953	(349,520)	3,098,979
Inter-segment revenue	(203,475)	381,748	(565,476)	-	387,203	-
Segment revenue	<u>1,752,264</u>	<u>715,036</u>	<u>434,043</u>	<u>159,953</u>	<u>37,683</u>	<u>3,098,979</u>
Segment profit before taxation	647,373	533,112	355,992	12,257	(139,533)	1,409,201
Share of profit after tax of equity accounted associated company				233,095		233,095
Share of profit after tax of equity accounted joint venture				14,990		14,990
Profit before taxation						<u>1,657,286</u>
Taxation						<u>(312,413)</u>
Profit after taxation						<u>1,344,873</u>
Segment assets	82,217,304	30,576,451	57,113,464	9,498,052	-	179,405,271
Unallocated assets						9,177,068
Total assets						<u>188,582,339</u>

Corresponding quarter ended 31/03/2015

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Others and Inter-Segment Elimination RM'000	Total RM'000
<u>By business segment</u>						
External revenue	634,657	106,722	316,177	49,835	(119,284)	988,107
Inter-segment revenue	(44,676)	107,435	(194,217)	-	131,458	-
Segment revenue	<u>589,981</u>	<u>214,157</u>	<u>121,960</u>	<u>49,835</u>	<u>12,174</u>	<u>988,107</u>
Segment profit before taxation	269,812	175,771	97,893	(3,903)	11,840	551,413
Share of profit after tax of equity accounted associated company				105,989		105,989
Share of profit after tax of equity accounted joint venture				5,291		5,291
Profit before taxation						<u>662,693</u>
Taxation						<u>(143,527)</u>
Profit after taxation						<u>519,166</u>

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

Corresponding financial period ended 31/03/2015

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Others and Inter-Segment Elimination RM'000	Total RM'000
<u>By business segment</u>						
External revenue	1,917,143	369,147	951,411	145,276	(356,864)	3,026,113
Inter-segment revenue	(111,232)	311,195	(596,304)	-	396,341	-
Segment revenue	<u>1,805,911</u>	<u>680,342</u>	<u>355,107</u>	<u>145,276</u>	<u>39,477</u>	<u>3,026,113</u>
Segment profit before taxation	829,897	636,960	283,804	4,851	16,780	1,772,292
Share of profit after tax of equity accounted associated company				289,806		289,806
Share of profit after tax of equity accounted joint venture				11,555		11,555
Profit before taxation						<u>2,073,653</u>
Taxation						<u>(455,317)</u>
Profit after taxation						<u>1,618,336</u>
Segment assets	75,594,169	30,486,352	54,732,665	9,970,391	-	170,783,577
Unallocated assets						9,036,634
Total assets						<u>179,820,211</u>

A28 Property and equipment

The valuations of land and building had been brought forward without amendment from the previous audited annual financial statements.

A29(a) Material events subsequent to the end of the reporting period

There are no material events subsequent to the end of the financial period ended 31 March 2016.

A29(b) Changes in the composition of the Group

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

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

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A30 Commitments and contingencies

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

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

	The Group		The Bank	
	31/03/2016	30/06/2015	31/03/2016	30/06/2015
	RM'000	RM'000	RM'000	RM'000
Principal Amount				
Direct credit substitutes	117,177	212,983	115,685	211,578
Certain transaction related contingent items	1,671,080	1,606,465	1,569,939	1,508,972
Short-term self liquidating trade related contingencies	735,924	755,587	718,928	741,482
Irrevocable commitments to extend credit:				
- maturity more than one year	16,577,221	18,158,775	12,986,154	14,680,331
- maturity less than one year	18,073,419	17,262,934	16,161,285	15,610,783
Foreign exchange related contracts:				
- less than one year	29,275,831	31,118,946	28,671,514	30,203,845
- one year to less than five years	4,748,488	4,409,157	4,748,488	4,409,157
- five years and above	824,988	819,693	824,988	819,693
Interest rate related contracts:				
- less than one year	53,746,800	21,887,447	53,916,800	21,857,447
- one year to less than five years	36,825,336	42,671,138	36,775,336	42,386,138
- five years and above	1,968,328	2,129,631	1,968,328	2,129,631
Equity related contracts:				
- less than one year	286,923	360,330	286,923	360,330
- one year to less than five years	206,965	102,937	206,965	102,937
Commodity related contracts:				
- less than one year	6,059	1,471	6,059	1,471
- one year to less than five years	-	3,826	-	3,826
Unutilised credit card lines	7,490,105	7,426,036	7,490,105	7,426,036
Total	172,554,644	148,927,356	166,447,497	142,453,657

A31 Related party transactions

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

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A32 Fair value of financial instruments

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

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

(a) Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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A32 Fair value of financial instruments (continued)

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

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

The Group				
Financial Period Ended 31/03/2016				
Fair value				
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<i>Recurring fair value measurements</i>				
<u>Financial Assets</u>				
Financial assets held-for-trading				
- Money market instrument	-	7,939,180	-	7,939,180
- Quoted securities	242,217	-	-	242,217
- Unquoted securities	-	462,001	-	462,001
Financial investments available-for-sale				
- Money market instrument	-	4,754,682	-	4,754,682
- Quoted securities	11,768,917	-	-	11,768,917
- Unquoted securities	-	7,360,907	395,012	7,755,919
Derivative financial instruments	213	1,253,822	4,728	1,258,763
	<u>12,011,347</u>	<u>21,770,592</u>	<u>399,740</u>	<u>34,181,679</u>
<u>Financial Liability</u>				
Derivative financial instruments	<u>266</u>	<u>1,774,159</u>	<u>4,728</u>	<u>1,779,153</u>

The Group				
Financial Year Ended 30/06/2015				
Fair value				
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<i>Recurring fair value measurements</i>				
<u>Financial Assets</u>				
Financial assets held-for-trading				
- Money market instrument	-	6,534,085	-	6,534,085
- Quoted securities	379,216	-	-	379,216
- Unquoted securities	-	218,133	-	218,133
Financial investments available-for-sale				
- Money market instrument	-	5,149,771	-	5,149,771
- Quoted securities	9,055,856	-	-	9,055,856
- Unquoted securities	-	5,706,839	394,887	6,101,726
Derivative financial instruments	42	1,417,935	6,952	1,424,929
	<u>9,435,114</u>	<u>19,026,763</u>	<u>401,839</u>	<u>28,863,716</u>
<u>Financial Liability</u>				
Derivative financial instruments	<u>2,959</u>	<u>1,277,815</u>	<u>6,952</u>	<u>1,287,726</u>

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

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A32 Fair value of financial instruments (continued)

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

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

The Bank				
Financial Period Ended 31/03/2016				
Fair value				
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<i>Recurring fair value measurements</i>				
<u>Financial Assets</u>				
Financial assets held-for-trading				
- Money market instrument	-	8,367,523	-	8,367,523
- Quoted securities	242,217	-	-	242,217
- Unquoted securities	-	462,001	-	462,001
Financial investments available-for-sale				
- Money market instrument	-	3,571,994	-	3,571,994
- Quoted securities	11,686,688	-	-	11,686,688
- Unquoted securities	-	6,620,308	395,012	7,015,320
Derivative financial instruments	213	1,222,478	4,728	1,227,419
	<u>11,929,118</u>	<u>20,244,304</u>	<u>399,740</u>	<u>32,573,162</u>

Financial Liability

Derivative financial instruments	<u>266</u>	<u>1,747,348</u>	<u>4,728</u>	<u>1,752,342</u>
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The Bank				
Financial Year Ended 30/06/2015				
Fair value				
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<i>Recurring fair value measurements</i>				
<u>Financial Assets</u>				
Financial assets held-for-trading				
- Money market instrument	-	6,526,189	-	6,526,189
- Quoted securities	379,216	-	-	379,216
- Unquoted securities	-	218,133	-	218,133
Financial investments available-for-sale				
- Money market instrument	-	3,066,263	-	3,066,263
- Quoted securities	8,896,320	-	-	8,896,320
- Unquoted securities	-	5,012,968	394,887	5,407,855
Derivative financial instruments	42	1,414,577	6,952	1,421,571
	<u>9,275,578</u>	<u>16,238,130</u>	<u>401,839</u>	<u>25,915,547</u>

Financial Liability

Derivative financial instruments	<u>2,959</u>	<u>1,259,983</u>	<u>6,952</u>	<u>1,269,894</u>
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The Bank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial period (30 June 2015: RM Nil).

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A32 Fair value of financial instruments (continued)

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

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

The Group 2016	Financial Assets		Financial
	Financial	Derivative	Liability
	investments	financial	Derivative
	available-for-sale	instruments	financial
	RM'000	RM'000	instruments
			RM'000
At 1 July	394,887	6,952	6,952
Total losses recognised in statements of income	-	(8,343)	(8,343)
Net fair value changes recognised in other comprehensive income	125	-	-
Purchases	-	6,224	6,224
Disposal	-	(105)	(105)
At 31 March	<u>395,012</u>	<u>4,728</u>	<u>4,728</u>
Total losses recognised in statement of income relating to assets/liability held on 31 March 2016	<u>-</u>	<u>(8,343)</u>	<u>(8,343)</u>
Total gain recognised in other comprehensive income relating to assets held on 31 March 2016	<u>125</u>	<u>-</u>	<u>-</u>
The Bank 2016	Financial Assets		Financial
	Financial	Derivative	Liability
	investments	financial	Derivative
	available-for-sale	instruments	financial
	RM'000	RM'000	instruments
			RM'000
At 1 July	394,887	6,952	6,952
Total losses recognised in statements income	-	(8,343)	(8,343)
Net fair value changes recognised in other comprehensive income	125	-	-
Purchases	-	6,224	6,224
Disposal	-	(105)	(105)
At 31 March	<u>395,012</u>	<u>4,728</u>	<u>4,728</u>
Total losses recognised in statement of income relating to assets/liability held on 31 March 2016	<u>-</u>	<u>(8,343)</u>	<u>(8,343)</u>
Total gain recognised in other comprehensive income relating to assets held on 31 March 2016	<u>125</u>	<u>-</u>	<u>-</u>

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A32 Fair value of financial instruments (continued)

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

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

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

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

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

B1 Review of performance

Current Quarter vs. Previous Year Corresponding Quarter

The Group recorded a pre-tax profit of RM606.6 million for the current financial quarter ended 31 March 2016, a decrease of RM56.1 million or 8.5% as compared to previous corresponding quarter. The decrease in pre-tax profit was mainly due to higher charge on allowance for impairment losses on loans, advances and financing of RM26.6 million, higher operating expenses of RM21.7 million, lower write back of impairment losses from securities of RM4.8 million coupled with lower share of profit from associated company and joint venture of RM17.1 million. This is however mitigated by higher net income of RM14.1 million.

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

Personal Financial Services

The Personal Financial Services's segment recorded a pre-tax profit of RM199.8 million for the third quarter ended 31 March 2016 as compared to previous corresponding quarter of RM269.8 million. The decrease in pre-tax profit was mainly contributed by lower total income arising from margin compression, higher net loan impairment allowances arising from provisions relating to Reschedule & Restructure in accordance with BNM's classification policy and higher operating expenses.

Business and Corporate Banking

The Business and Corporate Banking's segment recorded a pre-tax profit of RM182.6 million for the third quarter ended 31 March 2016 as compared to previous corresponding quarter of RM175.8 million. Higher pre-tax profit was mainly due to higher total income, offset by higher operating expenses, higher individual assessment allowance on loans, advances and financing and lower write back of impairment losses.

Global Markets

The Global Market's segment recorded a pre-tax profit of RM98.6 million for the third quarter ended 31 March 2016 as compared to previous corresponding quarter of RM97.9 million. The increase in pre-tax profit was due to higher total income, offset by higher operating expenses and lower write back of impairment losses.

International Banking

The International Banking's segment recorded a pre-tax profit of RM95.6 million for the third quarter ended 31 March 2016 as compared to previous corresponding quarter of RM107.4 million. The decline in performance was mainly contributed by lower share of profit from associated company in China as they have experienced a series of an unanticipated lending rates cut by their Central Bank as a measure to promote economic growth and increase in impairment provisioning, eroding their profit.

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B1 Review of performance (continued)

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

The Group pre-tax profit for the financial period ended 31 March 2016 stood at RM1,657.3 million, a decrease of RM416.4 million or 20.1% as compared to RM2,073.7 million in the previous corresponding period. The decrease was mainly due to higher operating expenses of RM250.1 million, higher charge on allowance for impairment losses on loans, advances and financing of RM179.5 million, lower write back of impairment losses from securities of RM6.4 million coupled with lower share of profit from associated company of RM56.7 million. This is however mitigated by higher net income of RM72.9 million and higher share of profit from joint venture of RM3.4 million.

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

Personal Financial Services

The Personal Financial Services's segment recorded a pre-tax profit of RM647.4 million for the financial period ended 31 March 2016 as compared to previous corresponding period of RM829.9 million. Lower pre-tax profit was mainly due to lower total income, higher operating expenses and higher allowances for impairment on loans, advances and financing.

Personal Financial Services's loan base grew from RM75.2 billion in March 2015 to RM81.8 billion in March 2016. Deposit base registered a growth from RM73.0 billion to RM80.1 billion.

Business and Corporate Banking

The Business and Corporate Banking's segment recorded a pre-tax profit of RM533.1 million for the financial period ended 31 March 2016 as compared to previous corresponding period of RM637.0 million. Lower pre-tax profit was driven by higher allowances for impairment on loans, advances and financing, higher operating expenses and lower impairment write back, mitigated by higher total income.

Business and Corporate Banking's loan base grew from RM30.4 billion in March 2015 to RM30.5 billion in March 2016. Deposit base decreased from RM35.3 billion to RM34.5 billion.

Global Markets

The Global Market's segment recorded a pre-tax profit of RM356.0 million for the financial period ended 31 March 2016 as compared to previous corresponding period of RM283.8 million. The increase in pre-tax profit was mainly contributed by higher total income primarily arising from forex revaluation profit with USD strengthening against MYR and increase in forex franchise business transactions.

Treasury earning assets registered an increase from RM51.6 billion in March 2015 to RM54.5 billion in March 2016.

International Banking

The International Banking's segment recorded a pre-tax profit of RM260.3 million for the financial period ended 31 March 2016 as compared to previous corresponding period of RM306.2 million. The decline in performance was mainly contributed by lower share of profit from associated company in China as they have experienced a series of an unanticipated lending rates cut by their Central Bank as a measure to promote economic growth and increase in impairment provisioning, eroding their profit.

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B2 Current Quarter vs. Preceding Quarter

For the current financial quarter, the Group recorded a pre-tax profit of RM606.6 million as compared to RM425.8 million in the preceding quarter, an increase of RM180.8 million mainly contributed by lower operating expenses of RM186.1 million, lower charge on allowance for impairment losses on loans, advances and financing of RM40.2 million coupled with higher share of profit from associated company of RM26.5 million. This is however offset by lower net income of RM71.3 million.

B3 Current year prospects

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

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

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

B4 Variance in profit forecast and shortfall in profit guarantee

This note is not applicable to the Group.

B5 Taxation

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	RM'000	RM'000	RM'000	RM'000
The Group				
Income tax	(2,700)	145,739	304,266	461,954
Transfer (to)/from deferred taxation	111,512	(2,212)	8,147	(6,637)
	<u>108,812</u>	<u>143,527</u>	<u>312,413</u>	<u>455,317</u>

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	RM'000	RM'000	RM'000	RM'000
The Bank				
Income tax	(21,579)	143,175	265,790	458,288
Transfer (to)/from deferred taxation	115,469	(2,212)	12,104	(6,637)
	<u>93,890</u>	<u>140,963</u>	<u>277,894</u>	<u>451,651</u>

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B6 Profit on sale of unquoted investments/properties

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

B7 Purchase and disposal of quoted securities

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

B8 Status of corporate proposals

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

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

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

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B9 Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 March 2016:

The Group

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
Forwards			
(i) Less than 1 year	21,556,227	404,525	(712,841)
(ii) 1 year to 3 years	39,000	1,153	(365)
Swaps			
(i) Less than 1 year	5,155,360	148,069	(130,899)
(ii) 1 year to 3 years	4,389,369	264,150	(417,586)
(iii) More than 3 years	1,092,319	89,567	(37,728)
Options			
(i) Less than 1 year	2,564,244	31,757	(31,015)
(ii) 1 year to 3 years	52,788	8,627	(8,627)
Interest rate related contracts			
Futures			
(i) Less than 1 year	29,854,500	1,007	(752)
Swaps			
(i) Less than 1 year	23,892,300	14,538	(29,342)
(ii) 1 year to 3 years	18,382,584	64,099	(83,374)
(iii) More than 3 years	20,411,080	224,936	(320,318)
Equity related contracts			
(i) Less than 1 year	286,923	2,616	(2,616)
(ii) 1 year to 3 years	206,965	2,112	(2,112)
Commodity related contracts			
(i) Less than 1 year	6,059	1,607	(1,578)
Total	127,889,718	1,258,763	(1,779,153)

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B9 Off-balance sheet financial instruments (continued)

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

The Group

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

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B9 Off-balance sheet financial instruments (continued)

Details of financial instruments with off-balance sheet risk as at 31 March 2016:

The Bank

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
Forwards			
(i) Less than 1 year	21,158,755	380,671	(696,114)
(ii) 1 year to 3 years	39,000	1,153	(365)
Swaps			
(i) Less than 1 year	4,948,515	139,629	(122,437)
(ii) 1 year to 3 years	4,389,369	264,150	(417,586)
(iii) More than 3 years	1,092,319	89,567	(37,728)
Options			
(i) Less than 1 year	2,564,244	31,756	(31,015)
(ii) 1 year to 3 years	52,788	8,627	(8,627)
Interest rate related contracts			
Futures			
(i) Less than 1 year	29,854,500	1,007	(752)
Swaps			
(i) Less than 1 year	24,062,300	14,172	(29,260)
(ii) 1 year to 3 years	18,062,584	63,132	(82,083)
(iii) More than 3 years	20,681,080	227,220	(320,069)
Equity related contracts			
(i) Less than 1 year	286,923	2,616	(2,616)
(ii) 1 year to 3 years	206,965	2,112	(2,112)
Commodity related contracts			
(i) Less than 1 year	6,059	1,607	(1,578)
Total	127,405,401	1,227,419	(1,752,342)

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B9 Off-balance sheet financial instruments (continued)

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

The Bank

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

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B9 Off-balance sheet financial instruments (continued)

Foreign exchange, interest rate, equity and commodity related contracts are subject to market risk and credit risk.

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial period, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM26,837,544 (FYE June 2015: RM33,684,338) and RM81,681,948,960 (FYE June 2015: RM63,369,478,507) respectively.

Derivatives

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

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial period, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM1,288,970,468 (FYE June 2015: RM1,520,741,372). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Derivatives

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

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

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

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

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B9 Off-balance sheet financial instruments (continued)

Credit risk (continued)

Derivatives (continued)

Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Group and a customer (OTC). The Group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

The notional amounts of certain types of financial instrument provide a basis for comparison with instruments recognised on the statements of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

Liquidity risk

Derivatives

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

Related accounting policies

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

Fair value hedge

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

Cash flow hedge

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

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B10 Material litigation

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

B11 Dividend

For financial period ended 31 March 2016, a total single tier dividend of 15.0 sen per share has been paid (2014/2015: single tier dividend of 15.0 sen per share).

B12 Realised and unrealised profits

	The Group	
	Financial Period Ended 31/03/2016	Financial Year Ended 30/06/2015
	RM'000	RM'000
Total retained profits of Hong Leong Bank Berhad and subsidiaries		
- Realised	5,226,648	5,206,647
- Unrealised	1,028,319	1,010,241
	6,254,967	6,216,888
Total share of retained profits from associated company		
- Realised	1,937,856	1,704,761
Total share of retained profits from joint venture		
- Realised	44,760	29,770
	8,237,583	7,951,419
Less: Consolidation adjustment	(257,745)	(131,905)
Total Group's retained profits	<u>7,979,838</u>	<u>7,819,514</u>

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

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B13 Earnings per share

(a) Basic earnings per share

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

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2016 RM'000	31/03/2015 RM'000	31/03/2016 RM'000	31/03/2015 RM'000
<u>The Group</u>				
Net profit attributable to equity holders	497,830	519,166	1,344,873	1,618,336
Weighted average number of ordinary shares in issue ('000)	1,979,334	1,879,909	1,979,334	1,879,909
Less: Treasury shares held	(117,665)	(113,554)	(117,665)	(113,554)
	<u>1,861,669</u>	<u>1,766,355</u>	<u>1,861,669</u>	<u>1,766,355</u>
Basic earnings per share (sen)	26.7	29.4	72.2	91.6
<u>The Bank</u>				
Net profit attributable to equity holders	377,889	414,011	1,185,421	1,329,456
Weighted average number of ordinary shares in issue ('000)	1,979,334	1,879,909	1,979,334	1,879,909
Less: Treasury shares held	(117,665)	(113,554)	(117,665)	(113,554)
	<u>1,861,669</u>	<u>1,766,355</u>	<u>1,861,669</u>	<u>1,766,355</u>
Basic earnings per share (sen)	20.3	23.4	63.7	75.3

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B13 Earnings per share (continued)

(b) Fully diluted earnings per share

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

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2016 RM'000	31/03/2015 RM'000	31/03/2016 RM'000	31/03/2015 RM'000
<u>The Group</u>				
Net profit attributable to equity holders	497,830	519,166	1,344,873	1,618,336
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,861,669	1,766,355	1,861,669	1,766,355
- adjustment for ESOS	-	-	-	-
	<u>1,861,669</u>	<u>1,766,355</u>	<u>1,861,669</u>	<u>1,766,355</u>
Fully diluted earnings per share (sen)	26.7	29.4	72.2	91.6
<u>The Bank</u>				
Net profit attributable to equity holders	377,889	414,011	1,185,421	1,329,456
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,861,669	1,766,355	1,861,669	1,766,355
- adjustment for ESOS	-	-	-	-
	<u>1,861,669</u>	<u>1,766,355</u>	<u>1,861,669</u>	<u>1,766,355</u>
Fully diluted earnings per share (sen)	20.3	23.4	63.7	75.3