

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

Condensed Financial Statements
Unaudited Statements of Financial Position As At 31 December 2014

		The Group		The Bank	
		As at 31/12/2014 RM'000	As at 30/06/2014 RM'000	As at 31/12/2014 RM'000	As at 30/06/2014 RM'000
	Note				
<u>ASSETS</u>					
Cash and short-term funds		7,135,535	14,712,789	6,774,926	13,629,775
Deposits and placements with banks and other financial institutions		3,547,798	4,040,276	3,486,387	4,020,983
Securities purchased under resale agreements		6,048,073	2,717,021	6,048,073	2,717,021
Financial assets held-for-trading	A8	13,597,660	11,314,476	10,641,712	10,132,834
Financial investments available-for-sale	A9	20,905,628	16,677,209	17,878,251	13,732,377
Financial investments held-to-maturity	A10	8,990,753	8,916,568	7,842,826	7,828,290
Loans, advances and financing	A11	105,942,249	102,579,076	91,032,072	87,873,449
Other assets	A12	866,716	497,237	788,495	434,542
Derivative financial instruments		1,387,083	687,441	1,337,985	670,325
Amount due from subsidiaries		-	-	9,338	11,437
Statutory deposits with Central Banks		3,325,813	3,150,642	2,783,000	2,591,500
Subsidiary companies		-	-	1,355,855	1,352,159
Investment in associated company		2,191,029	2,063,300	946,523	946,505
Investment in joint venture		96,344	90,080	76,711	76,711
Property and equipment		780,014	725,585	739,439	697,102
Intangible assets		336,870	347,791	323,196	335,319
Goodwill		1,831,312	1,831,312	1,771,547	1,771,547
Total Assets		176,982,877	170,350,803	153,836,336	148,821,876
<u>LIABILITIES AND SHAREHOLDERS' FUNDS</u>					
Deposits from customers	A13	132,008,483	130,252,337	115,315,335	114,098,835
Deposits and placements of banks and other financial institutions	A14	8,905,181	7,111,295	6,678,423	5,387,384
Obligations on securities sold under repurchase agreements		5,913,338	4,116,888	5,913,338	4,116,888
Bills and acceptances payable		603,229	358,732	562,371	327,899
Other liabilities	A15	4,107,743	4,251,037	2,832,388	3,284,182
Derivative financial instruments		1,175,846	790,415	1,136,715	760,406
Senior bonds	A16	2,110,672	1,936,207	2,110,672	1,936,207
Tier II subordinated bonds	A17	4,619,133	4,868,353	4,218,882	4,468,275
Non-innovative Tier 1 stapled securities	A18	1,410,617	1,410,252	1,410,617	1,410,252
Innovative Tier 1 capital securities	A19	535,648	541,767	535,648	541,767
Provision for taxation		177,895	49,581	150,190	24,364
Deferred tax liabilities		124,472	133,761	126,482	134,919
Total Liabilities		161,692,257	155,820,625	140,991,061	136,491,378
Share Capital		1,879,909	1,879,909	1,879,909	1,879,909
Reserves		14,025,513	13,295,848	11,580,168	11,096,168
Less: Treasury Shares		(614,802)	(645,579)	(614,802)	(645,579)
Total Shareholders' Equity		15,290,620	14,530,178	12,845,275	12,330,498
Total Liabilities and Equity		176,982,877	170,350,803	153,836,336	148,821,876
<u>COMMITMENTS AND CONTINGENCIES</u>	A30	163,692,684	193,135,411	157,989,033	186,995,685
Net asset per share attributable to ordinary equity holders of the parent (RM) *		8.65	8.24	7.27	7.00

* The Net assets per share attributable to ordinary equity holders of the parent (RM) is computed as Total Shareholders' Funds (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 2014.

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

Condensed Financial Statements
Unaudited Statements of Income
For The Financial Quarter Ended 31 December 2014

		The Group			
	Note	Current Quarter Ended 31/12/2014 RM'000	Corresponding Quarter Ended 31/12/2013 RM'000	Current Period Ended 31/12/2014 RM'000	Corresponding Period Ended 31/12/2013 RM'000
Interest income	A20	1,543,064	1,409,334	3,045,569	2,835,634
Interest expense	A21	(831,713)	(757,721)	(1,618,819)	(1,528,471)
Net interest income		711,351	651,613	1,426,750	1,307,163
Net income from Islamic Banking business	A22	105,868	112,891	215,917	221,241
Other operating income	A23	206,229	290,467	395,339	555,973
Net Income		1,023,448	1,054,971	2,038,006	2,084,377
Other operating expenses	A24	(463,364)	(459,611)	(892,503)	(914,565)
Operating profit before allowances		560,084	595,360	1,145,503	1,169,812
Write back/(allowance) for impairment losses on loans, advances and financing	A25	53,923	(20,582)	68,823	(2,602)
Write back of impairment losses		1,748	4,020	6,553	19,382
		615,755	578,798	1,220,879	1,186,592
Share of profit after tax of equity accounted associated company		88,411	82,780	183,817	172,251
Share of profit after tax of equity accounted joint venture		2,859	1,828	6,264	3,902
Profit before taxation		707,025	663,406	1,410,960	1,362,745
Taxation	B5	(155,423)	(143,119)	(311,790)	(297,971)
Net profit for the financial period		551,602	520,287	1,099,170	1,064,774
Attributable to:					
Owners of the parent		551,602	520,287	1,099,170	1,064,774
Earnings per share - basic (sen)	B13(a)	31.2	29.6	62.3	60.5
Earnings per share - fully diluted (sen)	B13(b)	31.2	29.5	62.3	60.4

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

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

Condensed Financial Statements
Unaudited Statements of Comprehensive Income
For The Financial Quarter Ended 31 December 2014

	The Group			
	Current Quarter Ended 31/12/2014 RM'000	Corresponding Quarter Ended 31/12/2013 RM'000	Current Period Ended 31/12/2014 RM'000	Corresponding Period Ended 31/12/2013 RM'000
Net profit for the financial period	551,602	520,287	1,099,170	1,064,774
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive income/(loss) of associated company	11,807	-	10,788	(22)
Currency translation differences	39,907	3,431	54,131	26,516
Net fair value changes on financial investments available-for-sale	(8,570)	(22,020)	(21,625)	(6,361)
Net fair value changes in cash flow hedge	619	-	619	-
Income tax relating to components of other comprehensive loss	1,988	5,505	5,252	1,590
Other comprehensive income/(loss) for the financial period	45,751	(13,084)	49,165	21,723
Total comprehensive income for the financial period, net of tax	<u>597,353</u>	<u>507,203</u>	<u>1,148,335</u>	<u>1,086,497</u>
Attributable to:				
- Owners of the parent	<u>597,353</u>	<u>507,203</u>	<u>1,148,335</u>	<u>1,086,497</u>

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

HONG LEONG BANK BERHAD
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Condensed Financial Statements
Unaudited Statements of Income
For The Financial Quarter Ended 31 December 2014

		The Bank			
		Current	Corresponding	Current	Corresponding
		Quarter Ended	Quarter Ended	Period Ended	Period Ended
		31/12/2014	31/12/2013	31/12/2014	31/12/2013
	Note	RM'000	RM'000	RM'000	RM'000
Interest income	A20	1,535,063	1,413,058	3,031,065	2,857,182
Interest expense	A21	(836,320)	(773,356)	(1,629,678)	(1,573,818)
Net interest income		698,743	639,702	1,401,387	1,283,364
Other operating income	A23	352,816	339,048	549,291	680,209
Net Income		1,051,559	978,750	1,950,678	1,963,573
Other operating expenses	A24	(406,875)	(405,180)	(780,985)	(806,232)
Operating profit before allowances		644,684	573,570	1,169,693	1,157,341
Write back/(allowance) for impairment losses					
on loans, advances and financing	A25	31,911	(19,093)	49,887	(7,051)
Write back of impairment losses		1,748	4,020	6,553	19,382
Profit before taxation		678,343	558,497	1,226,133	1,169,672
Taxation	B5	(172,299)	(142,374)	(310,688)	(299,125)
Net profit for the financial period		506,044	416,123	915,445	870,547
Attributable to:					
Owners of the parent		506,044	416,123	915,445	870,547
Earnings per share - basic (sen)	B13(a)	28.7	23.6	51.8	49.4
Earnings per share - fully diluted (sen)	B13(b)	28.7	23.6	51.8	49.4

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

HONG LEONG BANK BERHAD
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Condensed Financial Statements
Unaudited Statements of Comprehensive Income
For The Financial Quarter Ended 31 December 2014

	The Bank			
	Current Quarter Ended 31/12/2014 RM'000	Corresponding Quarter Ended 31/12/2013 RM'000	Current Period Ended 31/12/2014 RM'000	Corresponding Period Ended 31/12/2013 RM'000
Net profit for the financial period	506,044	416,123	915,445	870,547
Other comprehensive (loss)/income:				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences	1,226	(53)	(741)	717
Net fair value changes on financial investments available-for-sale	(4,156)	(13,197)	(16,665)	3,127
Net fair value changes in cash flow hedge	619	-	619	-
Income tax relating to components of other comprehensive loss/(income)	884	3,299	4,012	(782)
Other comprehensive (loss)/income for the financial period	(1,427)	(9,951)	(12,775)	3,062
Total comprehensive income for the financial period, net of tax	504,617	406,172	902,670	873,609

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

HONG LEONG BANK BERHAD
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Condensed Financial Statements
Unaudited Statement of Changes in Equity For The Financial Period Ended 31 December 2014

The Group	Attributable to owners of the parent										Total Shareholders' Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair Value Reserve RM'000	Cash Flow Hedge Reserve RM'000	Share options Reserve RM'000	Regulatory Reserve * RM'000	Exchange Fluctuation Reserve RM'000	Retained Profit RM'000	Treasury Shares RM'000	
At 1 July 2014	1,879,909	2,832,383	3,081,128	186,444	-	2,618	10,266	(6,095)	7,189,104	(645,579)	14,530,178
<u>Comprehensive income</u>											
Net profit for the financial period	-	-	-	-	-	-	-	-	1,099,170	-	1,099,170
- Share of other comprehensive loss of associated company	-	-	-	10,788	-	-	-	-	-	-	10,788
- Net fair value changes in financial investments available-for-sale	-	-	-	(16,219)	-	-	-	-	-	-	(16,219)
- Net fair value changes in cash flow hedge	-	-	-	-	464	-	-	-	-	-	464
- Currency translation difference	-	-	-	-	-	-	-	54,131	-	-	54,131
Total comprehensive	-	-	-	(5,431)	464	-	-	54,131	1,099,170	-	1,148,334
<u>Transactions with owners</u>											
Transfer to statutory reserve/regulatory reserve	-	-	257,295	-	-	-	-	-	(257,295)	-	-
Dividend paid	-	-	-	-	-	-	-	-	(459,573)	-	(459,573)
Sale of treasury shares	-	39,241	-	-	-	-	-	-	-	26,447	65,688
ESOS exercised	-	-	-	-	-	(1,133)	-	-	2,796	4,330	5,993
Total transactions with owners	-	39,241	257,295	-	-	(1,133)	-	-	(714,072)	30,777	(387,892)
At 31 December 2014	1,879,909	2,871,624	3,338,423	181,013	464	1,485	10,266	48,036	7,574,202	(614,802)	15,290,620
At 1 July 2013	1,879,909	2,832,383	2,625,743	163,126	-	5,125	8,527	(13,752)	6,197,372	(661,809)	13,036,624
<u>Comprehensive income</u>											
Net profit for the financial period	-	-	-	-	-	-	-	-	1,064,774	-	1,064,774
- Share of other comprehensive loss of associated company	-	-	-	(22)	-	-	-	-	-	-	(22)
- Net fair value changes in financial investments available-for-sale	-	-	-	(4,771)	-	-	-	-	-	-	(4,771)
- Currency translation difference	-	-	-	-	-	-	-	26,516	-	-	26,516
Total comprehensive (loss)/income	-	-	-	(4,793)	-	-	-	26,516	1,064,774	-	1,086,497
<u>Transactions with owners</u>											
Transfer to statutory reserve/regulatory reserve	-	-	269,771	-	-	-	-	-	(269,771)	-	-
Dividend paid	-	-	-	-	-	-	-	-	(396,173)	-	(396,173)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(15)	(15)
ESOS exercised	-	-	-	-	-	(1,835)	-	-	3,811	7,546	9,522
Option charge arising from ESOS granted	-	-	-	-	-	1,600	-	-	-	-	1,600
Total transactions with owners	-	-	269,771	-	-	(235)	-	-	(662,133)	7,531	(385,066)
At 31 December 2013	1,879,909	2,832,383	2,895,514	158,333	-	4,890	8,527	12,764	6,600,013	(654,278)	13,738,055

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

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

HONG LEONG BANK BERHAD
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Condensed Financial Statements
Unaudited Statement of Changes in Equity For The Financial Period Ended 31 December 2014

	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	Exchange Fluctuation Reserve RM'000	Retained Profit RM'000	Treasury Shares RM'000	Total RM'000
At 1 July 2014	1,879,909	2,832,383	2,640,258	208,942	-	2,618	36,897	5,375,070	(645,579)	12,330,498
<u>Comprehensive income</u>										
Net profit for the financial period	-	-	-	-	-	-	-	915,445	-	915,445
- Net fair value changes in financial investments available-for-sale	-	-	-	(12,499)	-	-	-	-	-	(12,499)
- Net fair value changes in cash flow hedge	-	-	-	-	464	-	-	-	-	464
- Currency translation difference	-	-	-	-	-	-	(741)	-	-	(741)
Total comprehensive	-	-	-	(12,499)	464	-	(741)	915,445	-	902,669
<u>Transactions with owners</u>										
Transfer to statutory reserves	-	-	228,861	-	-	-	-	(228,861)	-	-
Dividend paid	-	-	-	-	-	-	-	(459,573)	-	(459,573)
Sale of treasury shares	-	39,241	-	-	-	-	-	-	26,447	65,688
ESOS exercised	-	-	-	-	-	(1,133)	-	2,796	4,330	5,993
Total transactions with owners	-	39,241	228,861	-	-	(1,133)	-	(685,638)	30,777	(387,892)
At 31 December 2014	1,879,909	2,871,624	2,869,119	196,443	464	1,485	36,156	5,604,877	(614,802)	12,845,275
At 1 July 2013	1,879,909	2,832,383	2,242,523	170,683	-	5,125	36,323	4,835,280	(661,809)	11,340,417
<u>Comprehensive income</u>										
Net profit for the financial period	-	-	-	-	-	-	-	870,547	-	870,547
- Net fair value changes in financial investments available-for-sale	-	-	-	2,345	-	-	-	-	-	2,345
- Currency translation difference	-	-	-	-	-	-	717	-	-	717
Total comprehensive income	-	-	-	2,345	-	-	717	870,547	-	873,609
<u>Transactions with owners</u>										
Transfer to statutory reserve	-	-	217,637	-	-	-	-	(217,637)	-	-
Dividend paid	-	-	-	-	-	-	-	(396,173)	-	(396,173)
Purchase of treasury shares	-	-	-	-	-	-	-	-	(15)	(15)
ESOS exercised	-	-	-	-	-	(1,835)	-	3,811	7,546	9,522
Option charge arising from ESOS granted	-	-	-	-	-	1,600	-	-	-	1,600
Total transactions with owners	-	-	217,637	-	-	(235)	-	(609,999)	7,531	(385,066)
At 31 December 2013	1,879,909	2,832,383	2,460,160	173,028	-	4,890	37,040	5,095,828	(654,278)	11,828,960

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

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)
Condensed Financial Statements
Unaudited Condensed Statements of Cash Flows
For The Financial Period Ended 31 December 2014

	The Group		The Bank	
	Financial Period Ended 31/12/2014 RM'000	Financial Period Ended 31/12/2013 RM'000	Financial Period Ended 31/12/2014 RM'000	Financial Period Ended 31/12/2013 RM'000
Profit before taxation	1,410,960	1,362,745	1,226,133	1,169,672
Adjustments for non-cash items	(432,242)	(236,976)	(374,167)	(98,687)
Operating profit before working capital changes	978,718	1,125,769	851,966	1,070,985
Changes in working capital:				
Net changes in operating assets	(9,763,332)	723,986	(7,710,504)	599,753
Net changes in operating liabilities	5,992,559	1,158,639	4,568,939	(67,985)
Income taxes and zakat paid	(243,742)	(252,285)	(187,772)	(205,267)
Net cash (used in)/generated from operating activities	(3,035,797)	2,756,109	(2,477,371)	1,397,486
Cash flows from investing activities				
Net purchases of financial investments available-for-sale	(4,005,754)	(3,426,121)	(3,939,186)	(2,892,679)
Net proceeds/(purchases) of financial investments held-to-maturity	61,413	(2,173,819)	126,754	(2,110,362)
Purchase of property and equipment	(88,624)	(118,040)	(75,289)	(110,422)
Proceeds from sale of property and equipment	2,248	32,767	2,200	32,147
Net purchases of intangible assets	(25,795)	(26,278)	(23,451)	(17,536)
Dividend received on financial investments available-for-sale and held-to-maturity	52,011	29,627	52,011	29,627
Dividend from associated company	66,894	56,086	66,894	56,086
Dividend from subsidiary company	-	-	70,053	56,700
Net cash used in investing activities	(3,937,607)	(5,625,778)	(3,720,014)	(4,956,439)
Cash flows from financing activities				
Dividend paid	(459,573)	(396,173)	(459,573)	(396,173)
Repayment of Tier 2 subordinated loan	(250,000)	-	(250,000)	-
Purchase of treasury shares	-	(15)	-	(15)
Sale of treasury shares	65,688	-	65,688	-
Cash received from ESOS exercised	5,993	9,522	5,993	9,522
Interest paid on subordinated obligations	(190,144)	(181,815)	(190,195)	(189,638)
Net cash used in financing activities	(828,036)	(568,481)	(828,087)	(576,304)
Net decrease in cash and cash equivalents	(7,801,440)	(3,438,150)	(7,025,472)	(4,135,257)
Currency translation differences	224,186	95,494	170,623	69,973
Cash and cash equivalents at the beginning of financial period	14,712,789	18,047,448	13,629,775	16,719,258
Cash and cash equivalents at the end of financial period	7,135,535	14,704,792	6,774,926	12,653,974

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

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Part A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134") and Guidelines on Financial Reporting (Revised on 28 June 2013) Issued by Bank Negara Malaysia

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR FINANCIAL PERIOD ENDED 31 DECEMBER 2014**

A1 Basis of preparation

The unaudited condensed financial statements for the financial period ended 31 December 2014 have been prepared under the historical cost convention, except for the following assets and liabilities which are stated at fair values: financial assets held-for-trading, financial investments available-for-sale 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 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 2014. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 30 June 2014.

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

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2014, except for the adoption of the following amendments to Malaysian Financial Reporting Standards ("MFRSs"), Interpretation to the Issues Committee ("IC Interpretation") and Annual Improvements to MFRSs with effective from 1 July 2014:

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

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

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

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A2 Status of matters giving rise to the auditor's qualified report in the preceding annual financial statements for the year ended 30 June 2014

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

A3 Seasonality or cyclical of operations

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

A4 Exceptional items or unusual events affecting financial statements

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

A5 Variation from financial estimates reported in preceding financial period

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

A6 Issuance and repayment of debt and equity securities

Save as detailed below, there were no other new shares issuance, repayment of debt and equity securities, share buy back and share cancellations, or resale of shares held as treasury shares during the financial period ended 31 December 2014:

a) Share Buy-back

There were no purchase of ordinary shares of RM1.00 each ('Shares') from the open market during the financial period ended 31 December 2014.

The total number of shares bought back, all of which were held as treasury shares as at 31 December 2014 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)

b) Purchase of shares pursuant to ESOS

A trust has been set up for the ESOS of the Bank and 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 to 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' Funds on the Statements of Financial Position.

During the financial period ended 31 December 2014, the trust did not purchase any new shares. The trust had sold 4,480,386 shares in the open market between 10 September 2014 and 12 December 2014 with total net proceeds of RM65.7 million. As at 31 December 2014, the total number of Treasury Shares for ESOS was 30,996,800 at an average carrying value of RM5.90 per share.

The Bank has granted the following conditional incentive share options to eligible executives of the Bank pursuant to the ESOS of HLB:

- (i) 4,500,000 share options at an exercise price of RM5.72;
- (ii) 21,800,000 share options at an exercise price of RM6.05;
- (iii) 12,835,000 share options at an exercise price of RM5.99;
- (iv) 250,000 share options at an exercise price of RM5.75 (granted and lapsed in financial year ended 2009);
- (v) 200,000 share options at an exercise price of RM7.49;
- (vi) 3,095,000 share options at an exercise price of RM9.14;
- (vii) 1,000,000 share options at an exercise price of RM10.55; and
- (viii) 1,151,408 share options arising from adjustment for rights issue.

Subject to the achievement of certain performance criteria during the performance period, the said share options, if vested, will be satisfied by the transfer of existing shares purchased by a trust established for the ESOS.

Arising from the completion of the Bank's Right issue on 18 October 2011, there was an adjustment to the exercise price and number of option shares. The unexercised share options and the exercise price adjusted for the rights issue are listed below :

- (i) 75,063 share options at an exercise price of RM5.44;
- (ii) 13,165,125 share options at an exercise price of RM5.75;
- (iii) 6,294,724 share options at an exercise price of RM5.69;
- (iv) 154,884 share options at an exercise price of RM7.12;
- (v) 2,804,113 share options at an exercise price of RM8.69; and
- (vi) 1,000,000 share options at an exercise price of RM10.55

During the financial period ended 31 December 2014, a total of 733,492 ordinary shares of RM1 each for cash were exercised pursuant to the Company's ESOS at exercise price above per ordinary share.

c) Repayment of debt and equity securities

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

A7 Dividends paid

A final single tier dividend of 26.0 sen per share in respect of financial year ended 30 June 2014 amounting to RM459.6 million was paid on 18 November 2014.

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A8 Financial assets held-for-trading

	<u>The Group</u>		<u>The Bank</u>	
	31/12/2014	30/06/2014	31/12/2014	30/06/2014
	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Bank Negara Malaysia bills	2,781,889	848,000	1,390,437	550,140
Government treasury bills	420,338	197,064	380,783	88,751
Malaysian Government securities	723,701	27,242	723,701	27,242
Malaysian Government investment certificates	161,468	528,352	100,959	137,825
Bankers' acceptances and Islamic accepted bills	-	260,078	-	260,078
Negotiable instruments of deposit	8,855,436	8,774,899	7,391,004	8,427,396
Cagamas bonds	57,579	64,787	57,579	64,787
Khazanah bonds	-	37,439	-	-
	<u>13,000,411</u>	<u>10,737,861</u>	<u>10,044,463</u>	<u>9,556,219</u>
Quoted securities:				
Shares outside Malaysia	3,993	3,883	3,993	3,883
Foreign currency bonds	108,414	243,175	108,414	243,175
Unquoted securities:				
Private and Islamic debt securities	413,200	231,963	413,200	231,963
Foreign currency bonds	71,642	97,594	71,642	97,594
Total financial assets held-for-trading	<u><u>13,597,660</u></u>	<u><u>11,314,476</u></u>	<u><u>10,641,712</u></u>	<u><u>10,132,834</u></u>

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A9 Financial investments available-for-sale

	<u>The Group</u>		<u>The Bank</u>	
	31/12/2014	30/06/2014	31/12/2014	30/06/2014
	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Government treasury bills	105,664	546,703	105,664	546,703
Malaysian Government securities	753,081	1,288,604	753,081	1,288,604
Malaysian Government investment certificates	3,598,146	2,538,447	2,066,684	917,089
Other Government securities	518,480	475,893	-	-
Cagamas bonds	1,014,122	946,547	833,116	855,878
Khazanah bonds	258,462	208,615	258,462	208,615
	<u>6,247,955</u>	<u>6,004,809</u>	<u>4,017,007</u>	<u>3,816,889</u>
Quoted Securities:				
Shares in Malaysia	40,339	47,429	40,339	47,429
Shares outside Malaysia	23	23	23	23
Wholesale fund	3,004,963	2,001,515	3,004,963	2,001,515
Foreign currency bonds in Malaysia	4,772,258	3,224,143	4,729,726	3,130,326
Foreign currency bonds outside Malaysia	1,309,753	727,868	1,309,753	727,868
Unquoted securities:				
Private debt securities	5,014,203	4,160,864	4,260,353	3,497,816
Shares in Malaysia	363,810	363,810	363,763	363,763
Shares outside Malaysia	3,818	3,506	3,818	3,506
Foreign currency bonds in Malaysia	148,506	143,242	148,506	143,242
Total financial investments available-for-sale	<u><u>20,905,628</u></u>	<u><u>16,677,209</u></u>	<u><u>17,878,251</u></u>	<u><u>13,732,377</u></u>

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A10 Financial investments held-to-maturity

	<u>The Group</u>		<u>The Bank</u>	
	31/12/2014	30/06/2014	31/12/2014	30/06/2014
	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Malaysian Government securities	3,062,006	3,069,415	3,062,006	3,069,415
Malaysian Government investment certificates	5,373,647	5,374,048	3,927,598	3,927,829
Cagamas bonds	75,950	96,455	35,275	55,658
Negotiable instruments of deposit	2,338	3,718	647,428	647,339
Other Government securities	356,911	253,646	116,984	75,514
	<u>8,870,852</u>	<u>8,797,282</u>	<u>7,789,291</u>	<u>7,775,755</u>
Unquoted securities in Malaysia:				
Loan stocks	49	49	49	49
Private and Islamic debt securities	66,366	66,751	-	-
Unquoted bonds	486	486	486	486
Investment in preference shares	53,000	52,000	53,000	52,000
	<u>119,901</u>	<u>119,286</u>	<u>53,535</u>	<u>52,535</u>
Total financial investments held-to-maturity	<u><u>8,990,753</u></u>	<u><u>8,916,568</u></u>	<u><u>7,842,826</u></u>	<u><u>7,828,290</u></u>

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A11 Loans, advances and financing

	<u>The Group</u>		<u>The Bank</u>	
	31/12/2014	30/06/2014	31/12/2014	30/06/2014
	RM'000	RM'000	RM'000	RM'000
Overdrafts	3,997,231	4,104,535	3,841,520	3,944,594
Term loans:				
- Housing and shop loans/financing	49,965,623	46,563,762	41,868,726	38,974,919
- Syndicated term loan/financing	8,493,911	7,799,610	7,566,685	7,078,739
- Hire purchase receivables	17,671,442	17,405,481	14,284,689	13,940,555
- Other term loans/financing	8,648,791	8,684,556	7,252,426	7,089,671
Credit/charge card receivables	4,168,193	4,192,192	4,168,193	4,192,192
Bills receivables	1,122,180	1,116,670	1,105,307	1,109,346
Trust receipts	320,465	296,587	270,816	256,166
Claims on customers under acceptance credits	7,092,807	8,118,324	6,817,495	7,420,281
Block discounting	257	253	257	253
Revolving credits	5,448,926	5,545,623	4,695,890	4,897,352
Staff loans:				
Staffs other than directors	168,565	171,911	155,311	158,309
Other loans/financing	210,752	169,145	205,310	162,964
Gross loans, advances and financing	<u>107,309,143</u>	<u>104,168,649</u>	<u>92,232,625</u>	<u>89,225,341</u>
Unamortised fair value changes arising from terminated fair value hedges	(2,600)	(1,516)	1,417	3,431
Allowance for impaired loans, advances and financing:				
- Collective assessment allowance	(994,796)	(1,076,604)	(856,639)	(922,286)
- Individual assessment allowance	(369,498)	(511,453)	(345,331)	(433,037)
Total net loans, advances and financing	<u>105,942,249</u>	<u>102,579,076</u>	<u>91,032,072</u>	<u>87,873,449</u>

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A11 Loans, advances and financing (continued)

A11a By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	31/12/2014 RM'000	30/06/2014 RM'000	31/12/2014 RM'000	30/06/2014 RM'000
Domestic non-bank financial institutions	409,438	278,231	17,574	94,328
Domestic business enterprises				
- small and medium enterprises	16,844,673	16,295,719	15,507,110	15,056,080
- others	17,703,146	19,182,004	15,682,877	16,673,126
Government and statutory bodies	25,303	28,345	13,220	12,945
Individuals	67,421,912	63,928,055	56,402,709	53,298,312
Other domestic entities	150,861	158,579	116,491	119,786
Foreign entities	4,753,810	4,297,716	4,492,644	3,970,764
Gross loans, advances and financing	<u>107,309,143</u>	<u>104,168,649</u>	<u>92,232,625</u>	<u>89,225,341</u>

A11b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	31/12/2014 RM'000	30/06/2014 RM'000	31/12/2014 RM'000	30/06/2014 RM'000
Fixed rate				
- Housing and shop loans/financing	2,842,536	2,838,586	1,706,631	1,694,863
- Hire purchase receivables	17,427,037	17,254,282	14,040,284	13,789,357
- Other fixed rate loan/financing	6,204,386	6,857,479	5,452,982	6,100,581
Variable rate				
- Base lending rate plus	66,385,993	61,970,968	57,873,166	53,945,326
- Cost plus	14,144,228	14,934,610	13,159,562	13,695,214
- Other variables rates	304,963	312,724	-	-
Gross loans, advances and financing	<u>107,309,143</u>	<u>104,168,649</u>	<u>92,232,625</u>	<u>89,225,341</u>

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A11 Loans, advances and financing (continued)

A11c By economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2014</u>	<u>30/06/2014</u>	<u>31/12/2014</u>	<u>30/06/2014</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Purchase of securities	701,550	762,695	689,920	749,293
Purchase of transport vehicles	17,638,739	17,292,162	14,212,104	13,805,110
Purchase of landed properties				
- residential	41,976,761	39,000,324	34,804,021	32,307,912
- non-residential	13,403,681	12,370,138	12,172,887	11,260,737
Purchase of fixed assets (excluding landed properties)	487,455	530,527	442,897	485,549
Personal use	3,430,184	3,370,722	2,825,355	2,724,900
Credit card	4,168,193	4,192,192	4,168,193	4,192,192
Purchase of consumer durables	430	445	430	444
Construction	1,306,585	1,163,043	1,092,828	1,058,646
Mergers and acquisition	288,530	303,096	288,530	303,096
Working capital	21,342,166	22,573,362	19,158,110	19,987,905
Others	2,564,869	2,609,943	2,377,350	2,349,557
Gross loans, advances and financing	<u>107,309,143</u>	<u>104,168,649</u>	<u>92,232,625</u>	<u>89,225,341</u>

A11d By geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2014</u>	<u>30/06/2014</u>	<u>31/12/2014</u>	<u>30/06/2014</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	103,814,695	101,088,811	89,213,526	86,545,396
Singapore	3,019,099	2,675,129	3,019,099	2,675,129
Hong Kong	-	4,816	-	4,816
Vietnam	304,963	312,724	-	-
Cambodia	170,386	87,169	-	-
Gross loans, advances and financing	<u>107,309,143</u>	<u>104,168,649</u>	<u>92,232,625</u>	<u>89,225,341</u>

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A11 Loans, advances and financing (continued)

A11e By residual contractual maturity

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2014</u>	<u>30/06/2014</u>	<u>31/12/2014</u>	<u>30/06/2014</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Within one year	27,260,825	27,515,823	25,855,273	25,657,871
One year to less than three years	7,807,329	8,208,062	6,326,588	6,717,890
Three years to less than five years	10,037,789	9,659,310	8,428,881	8,048,496
Five years and more	62,203,200	58,785,454	51,621,883	48,801,084
Gross loans, advances and financing	<u>107,309,143</u>	<u>104,168,649</u>	<u>92,232,625</u>	<u>89,225,341</u>

A11f Impaired loans, advances and financing by economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2014</u>	<u>30/06/2014</u>	<u>31/12/2014</u>	<u>30/06/2014</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Purchase of securities	670	758	670	758
Purchase of transport vehicles	233,847	225,697	182,876	176,973
Purchase of landed properties				
- residential	205,546	213,583	146,239	152,070
- non-residential	40,929	47,737	34,126	40,163
Purchase of fixed assets (excluding landed properties)	35,838	37,484	34,379	36,092
Personal use	32,290	34,940	27,104	27,449
Credit card	45,590	53,058	45,590	53,058
Purchase of consumer durables	4	4	4	4
Construction	19,730	4,379	1,417	2,247
Working capital	404,066	572,014	386,695	494,221
Others	33,096	42,081	32,728	42,080
	<u>1,051,606</u>	<u>1,231,735</u>	<u>891,828</u>	<u>1,025,115</u>

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A11 Loans, advances and financing (continued)

A11g Impaired loans, advances and financing by geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2014</u>	<u>30/06/2014</u>	<u>31/12/2014</u>	<u>30/06/2014</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	1,020,748	1,218,521	891,828	1,025,115
Vietnam	30,858	13,214	-	-
	<u>1,051,606</u>	<u>1,231,735</u>	<u>891,828</u>	<u>1,025,115</u>

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

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2014</u>	<u>30/06/2014</u>	<u>31/12/2014</u>	<u>30/06/2014</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
At 1 July	1,231,735	1,359,443	1,025,115	1,154,173
Impaired during the financial period	737,439	1,705,427	602,387	1,439,645
Performing during the financial period	(380,403)	(897,336)	(306,916)	(732,219)
Amount written back in respect of recoveries	(280,187)	(507,069)	(231,684)	(452,330)
Amount written off	(261,625)	(431,273)	(197,143)	(385,673)
Exchange difference	4,647	2,543	69	1,519
At 31 December	<u>1,051,606</u>	<u>1,231,735</u>	<u>891,828</u>	<u>1,025,115</u>
Gross impaired loan as a % of gross loans, advances and financing	<u>1.0%</u>	<u>1.2%</u>	<u>1.0%</u>	<u>1.1%</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>	
	31/12/2014	30/06/2014	31/12/2014	30/06/2014
	RM'000	RM'000	RM'000	RM'000
<u>Collective Assessment Allowance</u>				
At 1 July	1,076,604	1,259,563	922,286	1,032,022
Net allowance made during the period/year	115,473	254,706	112,379	274,988
Amount transferred to individual assessment	(94)	(1,915)	(94)	(1,915)
Amount written off	(166,274)	(367,890)	(150,679)	(325,171)
Unwinding income	(31,071)	(68,545)	(27,396)	(58,362)
Exchange differences	158	685	143	724
At 31 December	<u>994,796</u>	<u>1,076,604</u>	<u>856,639</u>	<u>922,286</u>
As a % of gross loans, advances and financing less individual assessment allowance	<u>0.9%</u>	<u>1.0%</u>	<u>0.9%</u>	<u>1.0%</u>
<u>Individual Assessment Allowance</u>				
At 1 July	511,453	526,018	433,037	450,107
Allowance made during the period/year	31,833	140,023	17,719	135,014
Amount transferred from collective assessment	94	1,915	94	1,915
Amount written back in respect of recoveries	(98,604)	(108,808)	(73,795)	(105,426)
Amount written off	(76,191)	(41,618)	(28,950)	(41,618)
Unwinding income	(2,966)	(7,112)	(2,843)	(6,994)
Exchange difference	3,879	1,035	69	39
At 31 December	<u>369,498</u>	<u>511,453</u>	<u>345,331</u>	<u>433,037</u>

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A12 Other assets

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2014</u>	<u>30/06/2014</u>	<u>31/12/2014</u>	<u>30/06/2014</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Foreclosed properties	1,023	1,112	1,023	1,112
Sundry debtors and other prepayments	115,057	130,436	85,083	104,028
Treasury related receivables	552,644	242,573	552,644	242,573
Other receivables	197,992	123,116	149,745	86,829
	<u>866,716</u>	<u>497,237</u>	<u>788,495</u>	<u>434,542</u>

A13 Deposits from customers

A13a By type of deposit

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2014</u>	<u>30/06/2014</u>	<u>31/12/2014</u>	<u>30/06/2014</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Fixed deposits	76,168,420	73,625,412	66,336,775	65,186,386
Negotiable instruments of deposit	12,411,463	11,598,134	10,718,082	9,685,899
	<u>88,579,883</u>	<u>85,223,546</u>	<u>77,054,857</u>	<u>74,872,285</u>
Demand deposits	19,031,238	19,071,251	16,637,680	16,705,898
Saving deposits	14,961,721	15,020,628	12,799,710	12,850,935
Short term corporate placement	9,101,045	10,637,552	8,481,536	9,359,459
Other	436,621	381,524	429,784	373,704
Gross deposits from customers	<u>132,110,508</u>	<u>130,334,501</u>	<u>115,403,567</u>	<u>114,162,281</u>
Fair value changes arising from designation at fair value through profit or loss *	(102,025)	(82,164)	(88,232)	(63,446)
Total net deposits from customers	<u>132,008,483</u>	<u>130,252,337</u>	<u>115,315,335</u>	<u>114,098,835</u>

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

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A13 Deposits from customers (continued)

A13b By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2014</u>	<u>30/06/2014</u>	<u>31/12/2014</u>	<u>30/06/2014</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Government and statutory bodies	2,493,300	1,765,218	1,874,625	1,074,113
Business enterprises	59,389,919	59,564,201	49,473,314	49,561,625
Individuals	67,876,995	66,661,897	62,238,766	61,673,751
Others	2,350,294	2,343,185	1,816,862	1,852,792
	<u>132,110,508</u>	<u>130,334,501</u>	<u>115,403,567</u>	<u>114,162,281</u>

A13c The maturity structure of fixed deposits and negotiable instruments of deposits are as follows:-

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2014</u>	<u>30/06/2014</u>	<u>31/12/2014</u>	<u>30/06/2014</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Due within six months	64,867,503	64,684,513	56,151,662	56,018,366
More than six months to one year	19,116,491	16,537,616	16,840,105	15,396,676
More than one year to five years	3,765,889	3,501,417	3,283,090	3,007,243
More than five years	830,000	500,000	780,000	450,000
	<u>88,579,883</u>	<u>85,223,546</u>	<u>77,054,857</u>	<u>74,872,285</u>

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A14 Deposits and placements of banks and other financial institution

	<u>The Group</u>		<u>The Bank</u>	
	31/12/2014	30/06/2014	31/12/2014	30/06/2014
	RM'000	RM'000	RM'000	RM'000
Licensed banks	7,448,951	5,451,089	6,678,423	5,387,384
Licensed investment banks	416,927	-	-	-
Licensed Islamic banks	340,030	901,261	-	-
Other financial institutions	699,273	758,945	-	-
	<u>8,905,181</u>	<u>7,111,295</u>	<u>6,678,423</u>	<u>5,387,384</u>
The maturity structure of deposits and placements of banks and other financial institutions:				
- One year or less (short term)	<u>8,905,181</u>	<u>7,111,295</u>	<u>6,678,423</u>	<u>5,387,384</u>

A15 Other liabilities

	<u>The Group</u>		<u>The Bank</u>	
	31/12/2014	30/06/2014	31/12/2014	30/06/2014
	RM'000	RM'000	RM'000	RM'000
Zakat	300	200	-	-
Post employment benefits obligation				
- defined contribution plan	2,936	2,937	2,936	2,937
Loan advance payment	2,061,110	1,882,838	1,674,956	1,525,872
Amount due to Cagamas Berhad	-	84,160	-	84,160
Amount due to subsidiary companies	-	-	44,448	28,494
Treasury and cheque clearing	971,845	1,219,056	134,943	523,173
Treasury related payable	156,620	56,425	156,620	56,425
Sundry creditors and accruals	649,950	540,999	579,149	475,869
Provision for bonus and staff related expenses	36,199	125,016	34,940	120,544
Others	228,783	339,406	204,396	466,708
	<u>4,107,743</u>	<u>4,251,037</u>	<u>2,832,388</u>	<u>3,284,182</u>

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A16 Senior bonds

		The Group and The Bank	
		31/12/2014	30/06/2014
		RM'000	RM'000
USD 300 million senior bonds, at par	(a)	916,350	916,350
USD 300 million senior bonds, at par	(b)	919,200	919,200
Foreign exchange translations		262,350	90,750
		<u>2,097,900</u>	<u>1,926,300</u>
Add: Interest payable		17,920	16,454
		<u>2,115,820</u>	<u>1,942,754</u>
Less: Unamortised discounts		(5,148)	(6,547)
		<u><u>2,110,672</u></u>	<u><u>1,936,207</u></u>

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

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

- (b) On 20 April, 2012, HLB completed its inaugural US dollar senior unsecured notes issuance of USD300 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 Subordinated bonds

		The Group		The Bank	
		31/12/2014	30/06/2014	31/12/2014	30/06/2014
		RM'000	RM'000	RM'000	RM'000
Note					
RM700 million Tier 2 subordinated debt, at par	(a)	700,000	700,000	700,000	700,000
Add: Interest payable		13,301	13,115	13,301	13,115
		<u>713,301</u>	<u>713,115</u>	<u>713,301</u>	<u>713,115</u>
Less: Unamortised discounts		(64)	(207)	(64)	(207)
		<u><u>713,237</u></u>	<u><u>712,908</u></u>	<u><u>713,237</u></u>	<u><u>712,908</u></u>
RM1.0 billion Tier 2 subordinated debt, at par	(b)	1,000,000	1,000,000	1,000,000	1,000,000
Add: Interest payable		6,793	6,793	6,793	6,793
		<u>1,006,793</u>	<u>1,006,793</u>	<u>1,006,793</u>	<u>1,006,793</u>
Less: Unamortised discounts		(306)	(570)	(306)	(570)
		<u><u>1,006,487</u></u>	<u><u>1,006,223</u></u>	<u><u>1,006,487</u></u>	<u><u>1,006,223</u></u>

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A17 Subordinated bonds (continued)

		<u>The Group</u>		<u>The Bank</u>	
		<u>31/12/2014</u>	<u>30/06/2014</u>	<u>31/12/2014</u>	<u>30/06/2014</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	750,000	500,000	750,000
Add: Interest payable		130	1,207	130	1,207
		<u>500,130</u>	<u>751,207</u>	<u>500,130</u>	<u>751,207</u>
Less: Unamortised discounts		(690)	(1,138)	(690)	(1,138)
Fair value adjustments on completion of business combination accounting		(168)	210	(168)	210
		<u>499,272</u>	<u>750,279</u>	<u>499,272</u>	<u>750,279</u>
RM1.5 billion Tier 2 subordinated debt, at par	(d)	1,500,000	1,500,000	1,500,000	1,500,000
Add: Interest payable		1,849	1,479	1,849	1,479
		<u>1,501,849</u>	<u>1,501,479</u>	<u>1,501,849</u>	<u>1,501,479</u>
Less: Unamortised discounts		(1,291)	(1,590)	(1,291)	(1,590)
		<u>1,500,558</u>	<u>1,499,889</u>	<u>1,500,558</u>	<u>1,499,889</u>
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(e)	400,000	400,000	-	-
Add: Interest payable		789	736	-	-
		<u>400,789</u>	<u>400,736</u>	<u>-</u>	<u>-</u>
Less: Unamortised discounts		(538)	(658)	-	-
		<u>400,251</u>	<u>400,078</u>	<u>-</u>	<u>-</u>
RM500 million Tier 2 subordinated notes, at par	(f)	500,000	500,000	500,000	500,000
Add: Interest payable		592	526	592	526
		<u>500,592</u>	<u>500,526</u>	<u>500,592</u>	<u>500,526</u>
Less: Unamortised discounts		(1,264)	(1,550)	(1,264)	(1,550)
		<u>499,328</u>	<u>498,976</u>	<u>499,328</u>	<u>498,976</u>
		<u>4,619,133</u>	<u>4,868,353</u>	<u>4,218,882</u>	<u>4,468,275</u>

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

The Sub Debt constitute unsecured liabilities of 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.

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A17 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") (formerly known as EON Bank Berhad), 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 HLB.

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

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

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A17 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, HLISB, a wholly owned subsidiary of the Bank, had completed the first issuance of RM400 million nominal value of Tier 2 Subordinated Sukuk Ijarah ("Subordinated Sukuk Ijarah") out of its RM1.0 billion Tier 2 Subordinated Sukuk Ijarah Programme. The RM400 million Subordinated Sukuk Ijarah will mature in 2024 and is callable at end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The Subordinated Sukuk Ijarah which bears profit rate of 4.80% per annum is payable semi-annually in arrears.

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

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

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

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A18 Non-innovative Tier 1 stapled securities

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

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

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

A19 Innovative Tier 1 capital securities

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

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

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

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

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A20 Interest income

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2014 RM'000	31/12/2013 RM'000	31/12/2014 RM'000	31/12/2013 RM'000
<u>Group</u>				
Loan, advances and financing	1,098,908	1,022,860	2,176,008	2,043,586
Money at call and deposit placements with financial institutions	72,248	113,150	170,068	247,883
Securities purchased under resale agreements	53,965	8,692	87,491	16,861
Financial assets held-for-trading	144,416	123,440	279,021	256,952
Financial investments available-for-sale	108,647	99,347	203,154	198,252
Financial investments held-to-maturity	64,818	41,802	129,655	71,993
Others	62	43	172	107
	<u>1,543,064</u>	<u>1,409,334</u>	<u>3,045,569</u>	<u>2,835,634</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>16,979</u>	<u>5,121</u>	<u>30,239</u>	<u>10,553</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2014 RM'000	31/12/2013 RM'000	31/12/2014 RM'000	31/12/2013 RM'000
<u>Bank</u>				
Loan, advances and financing	1,090,096	1,017,273	2,159,132	2,032,371
Money at call and deposit placements with financial institutions	73,998	118,962	175,001	259,951
Securities purchased under resale agreements	53,965	8,692	87,491	16,861
Financial assets held-for-trading	146,948	127,393	284,058	267,073
Financial investments available-for-sale	102,566	90,144	189,869	180,046
Financial investments held-to-maturity	67,428	49,419	135,347	88,050
Others	62	1,175	167	12,830
	<u>1,535,063</u>	<u>1,413,058</u>	<u>3,031,065</u>	<u>2,857,182</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>16,979</u>	<u>5,121</u>	<u>30,239</u>	<u>10,553</u>

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A21 Interest expense

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Deposits and placements of banks and other financial institutions	17,732	23,800	35,482	58,108
Deposits from customers	665,386	593,199	1,287,014	1,177,298
Short term corporate placements	51,836	46,298	102,900	104,611
Senior bonds	18,194	17,478	35,586	35,248
Tier-2 subordinated bonds	52,032	49,728	104,670	98,735
Non-innovative Tier-1 stapled securities	17,988	18,101	36,005	36,230
Innovative Tier-1 capital securities	7,640	6,657	14,946	13,258
Others	905	2,460	2,216	4,983
	<u>831,713</u>	<u>757,721</u>	<u>1,618,819</u>	<u>1,528,471</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Deposits and placements of banks and other financial institutions	18,624	26,398	39,015	64,135
Deposits from customers	669,103	602,309	1,294,342	1,208,795
Short term corporate placements	51,836	46,298	102,900	104,611
Senior bonds	18,194	17,478	35,586	35,248
Tier-2 subordinated bonds	52,030	53,655	104,668	106,558
Non-innovative Tier-1 stapled securities	17,988	18,101	36,005	36,230
Innovative Tier-1 capital securities	7,640	6,657	14,946	13,258
Others	905	2,460	2,216	4,983
	<u>836,320</u>	<u>773,356</u>	<u>1,629,678</u>	<u>1,573,818</u>

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A22 Net income from Islamic Banking business

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Income derived from investment of depositors' funds and others	225,617	206,727	447,971	424,630
of which Finance income	224,683	210,339	445,534	426,895
of which other operating income	934	(3,612)	2,437	(2,265)
Income derived from investment of shareholders' funds	23,017	30,194	44,688	50,870
of which Finance income	19,537	15,832	38,742	32,131
of which other operating income	3,480	14,362	5,946	18,739
Income attributable to depositors	(142,766)	(124,030)	(276,742)	(254,259)
	<u>105,868</u>	<u>112,891</u>	<u>215,917</u>	<u>221,241</u>

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A23 Other operating income

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
(a) <u>Fee income:</u>				
Commissions	38,243	36,567	78,426	70,450
Service charges and fees	14,041	15,922	25,437	26,947
Guarantee fees	4,118	8,811	9,543	14,955
Credit card related fees	65,148	77,097	120,567	151,620
Corporate advisory fees	1,727	(6)	1,955	9
Commitment fees	8,921	9,278	18,120	18,520
Fee on loans, advances and financing	15,614	18,697	30,034	36,511
Other fee income	18,718	10,104	26,609	21,192
	<u>166,530</u>	<u>176,470</u>	<u>310,691</u>	<u>340,204</u>
(b) <u>Gain arising from sale of financial assets:</u>				
Net gain from sale of financial assets held-for-trading	7,478	6,436	12,465	7,644
Net (loss)/gain from sale of derivative financial instruments	(18,267)	7,535	(21,379)	18,574
Net gain from sale of financial investments available-for-sale	13,507	24,672	39,886	38,316
Net gain from redemption of financial investments held-to-maturity	197	55	271	64
	<u>2,915</u>	<u>38,698</u>	<u>31,243</u>	<u>64,598</u>
(c) <u>Gross dividend income from:</u>				
Financial investments available-for-sale	<u>28,806</u>	<u>15,629</u>	<u>52,011</u>	<u>29,627</u>

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A23 Other operating income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2014 RM'000	31/12/2013 RM'000	31/12/2014 RM'000	31/12/2013 RM'000
(d) <u>Net unrealised gain on revaluation of:</u>				
- Financial assets held-for-trading	(3,223)	(5,504)	(2,415)	(1,157)
- Derivatives financial instruments	3,559	6,564	17,615	19,105
	<u>336</u>	<u>1,060</u>	<u>15,200</u>	<u>17,948</u>
(e) <u>Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges</u>	<u>(968)</u>	<u>(1,749)</u>	<u>(2,444)</u>	<u>(4,579)</u>
(f) <u>Other income:</u>				
Foreign exchange gain	3,114	55,460	(23,626)	98,692
Rental income	1,374	1,312	2,723	2,623
Gain on disposal of property and equipment (net)	301	160	1,584	168
Other non-operating income	3,821	3,427	7,957	6,692
	<u>8,610</u>	<u>60,359</u>	<u>(11,362)</u>	<u>108,175</u>
Total other operating income	<u>206,229</u>	<u>290,467</u>	<u>395,339</u>	<u>555,973</u>

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A23 Other operating income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
(a) <u>Fee income:</u>				
Commissions	37,937	36,456	77,974	70,238
Service charges and fees	13,955	15,885	25,262	26,876
Guarantee fees	4,087	8,786	9,493	14,909
Credit card related fees	65,148	77,097	120,567	151,620
Corporate advisory fees	1,727	(6)	1,955	9
Commitment fees	8,901	9,274	18,084	18,515
Fee on loans, advances and financing	15,257	18,432	29,443	36,246
Other fee income	18,680	10,154	26,539	21,127
	<u>165,692</u>	<u>176,078</u>	<u>309,317</u>	<u>339,540</u>
(b) <u>Gain arising from sale of financial assets:</u>				
Net gain from sale of financial assets held-for-trading	7,478	6,436	12,465	7,644
Net (loss)/gain from sale of derivative financial instruments	(18,267)	7,535	(21,379)	18,574
Net gain from sale of financial investments available-for-sale	11,888	16,310	32,622	27,886
Net gain from redemption of financial investments held-to-maturity	197	55	271	64
	<u>1,296</u>	<u>30,336</u>	<u>23,979</u>	<u>54,168</u>
(c) <u>Gross dividend income from:</u>				
Subsidiary companies	56,700	56,700	70,053	56,700
Associated company	91,669	-	91,669	76,859
Financial investments available-for-sale	28,806	15,629	52,011	29,627
	<u>177,175</u>	<u>72,329</u>	<u>213,733</u>	<u>163,186</u>

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A23 Other operating income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2014 RM'000	31/12/2013 RM'000	31/12/2014 RM'000	31/12/2013 RM'000
(d) <u>Net unrealised gain on revaluation of:</u>				
- Financial assets held-for-trading	(3,223)	(5,504)	(2,415)	(1,157)
- Derivatives financial instruments	3,559	6,564	17,615	19,105
	<u>336</u>	<u>1,060</u>	<u>15,200</u>	<u>17,948</u>
(e) <u>Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges</u>	<u>(799)</u>	<u>(1,214)</u>	<u>(2,015)</u>	<u>(3,419)</u>
(f) <u>Other income:</u>				
Foreign exchange gain	3,477	55,569	(23,184)	98,703
Rental income	1,374	1,312	2,723	2,623
Gain on disposal of property and equipment (net)	301	160	1,584	168
Other non-operating income	3,964	3,418	7,954	7,292
	<u>9,116</u>	<u>60,459</u>	<u>(10,923)</u>	<u>108,786</u>
Total other operating income	<u>352,816</u>	<u>339,048</u>	<u>549,291</u>	<u>680,209</u>

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A24 Other operating expenses

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	226,870	218,406	445,265	442,379
- Medical expenses	6,836	4,482	12,370	10,286
- Training and convention expenses	10,480	6,466	15,015	9,927
- Staff welfare	2,583	2,755	4,733	6,256
- Others	6,994	6,149	12,176	11,462
	<u>253,763</u>	<u>238,258</u>	<u>489,559</u>	<u>480,310</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment *	16,740	27,479	34,247	54,133
- Amortisation of intangible assets *	17,398	23,450	34,590	46,897
- Rental	19,605	18,386	38,737	36,829
- Information technology expenses	29,292	27,929	56,423	52,526
- Security services	6,550	8,877	12,940	16,793
- Electricity, water and sewerage	5,542	5,726	12,049	11,431
- Hire of plant and machinery	3,524	3,523	6,766	7,013
- Others	5,563	7,137	11,239	14,499
	<u>104,214</u>	<u>122,507</u>	<u>206,991</u>	<u>240,121</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	5,839	3,366	11,256	9,332
- Credit card related fees	32,201	22,285	57,906	42,567
- Others	3,159	4,153	6,926	7,627
	<u>41,199</u>	<u>29,804</u>	<u>76,088</u>	<u>59,526</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,740	3,580	6,887	5,881
- Stationery & printing	4,828	4,202	9,124	7,405
- Professional fees	21,491	18,001	40,364	38,750
- Insurance fees	8,377	8,509	18,088	14,094
- Stamp, postage and courier	5,663	5,113	10,468	9,136
- Travelling and transport expenses	1,740	1,618	3,183	3,239
- Registration and license fees	1,234	1,227	2,382	2,559
- Brokerage and commission	1,819	1,760	3,716	2,977
- Others	15,296	25,032	25,653	50,567
	<u>64,188</u>	<u>69,042</u>	<u>119,865</u>	<u>134,608</u>
	<u>463,364</u>	<u>459,611</u>	<u>892,503</u>	<u>914,565</u>

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

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A24 Other operating expenses (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	190,532	184,317	373,645	373,519
- Medical expenses	5,795	3,770	10,438	8,658
- Training and convention expenses	9,498	6,148	13,650	9,062
- Staff welfare	2,223	2,255	3,983	5,489
- Others	5,939	5,116	10,138	9,601
	<u>213,987</u>	<u>201,606</u>	<u>411,854</u>	<u>406,329</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment *	15,833	26,166	32,465	51,548
- Amortisation of intangible assets *	16,450	22,244	32,726	44,774
- Rental	16,174	15,274	32,063	30,530
- Information technology expenses	26,768	25,814	51,690	48,264
- Security services	5,328	7,100	10,466	13,541
- Electricity, water and sewerage	4,726	5,034	10,403	10,009
- Hire of plant and machinery	3,211	3,161	6,167	6,470
- Others	3,227	2,028	4,096	4,430
	<u>91,717</u>	<u>106,821</u>	<u>180,076</u>	<u>209,566</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	4,977	2,735	9,566	8,190
- Credit card related fees	32,201	22,285	57,906	42,567
- Others	2,636	3,599	6,119	6,817
	<u>39,814</u>	<u>28,619</u>	<u>73,591</u>	<u>57,574</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,645	3,499	6,715	5,720
- Stationery & printing	4,632	4,057	8,790	7,194
- Professional fees	20,514	17,623	39,050	37,927
- Insurance fees	7,213	7,618	15,756	12,362
- Stamp, postage and courier	5,599	5,013	10,381	9,010
- Travelling and transport expenses	1,401	1,326	2,518	2,566
- Registration and license fees	1,081	1,159	2,141	2,308
- Brokerage and commission	1,414	1,567	2,962	2,628
- Others	15,858	26,272	27,151	53,048
	<u>61,357</u>	<u>68,134</u>	<u>115,464</u>	<u>132,763</u>
	<u>406,875</u>	<u>405,180</u>	<u>780,985</u>	<u>806,232</u>

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

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A25 Allowance for impairment losses on loans, advances and financing

	2nd Quarter Ended		Cumulative Six Months Ended	
<u>Group</u>	<u>31/12/2014</u>	<u>31/12/2013</u>	<u>31/12/2014</u>	<u>31/12/2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Allowance for impairment losses on loans, advances and financing:				
- collective assessment allowance	59,971	76,589	115,473	125,883
- individual assessment allowance	(57,394)	(5,038)	(66,771)	(4,226)
Impaired loans and financing:				
- written off	20,266	5,509	28,089	11,846
- recovered from bad debt written off	(76,766)	(56,478)	(145,614)	(130,901)
	<u>(53,923)</u>	<u>20,582</u>	<u>(68,823)</u>	<u>2,602</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
<u>Bank</u>	<u>31/12/2014</u>	<u>31/12/2013</u>	<u>31/12/2014</u>	<u>31/12/2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Allowance for impairment losses on loans, advances and financing:				
- collective assessment allowance	60,719	70,766	112,379	122,006
- individual assessment allowance	(42,034)	(5,028)	(56,076)	(6,249)
Impaired loans and financing:				
- written off	19,859	4,964	26,957	10,720
- recovered from bad debt written off	(70,455)	(51,609)	(133,147)	(119,426)
	<u>(31,911)</u>	<u>19,093</u>	<u>(49,887)</u>	<u>7,051</u>

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A26 Capital adequacy

The Group's and the Bank's regulatory capital is governed by BNM Capital Adequacy Framework guidelines. With effect from 1 January 2013, the capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework issued on 28 November 2012. The Framework sets out the approach for computing the regulatory capital adequacy ratios, as well as the levels of the ratios at which banking institutions are required to operate. The Framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. In line with the transitional arrangements under the BNM's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for common equity Tier I (CET I) capital ratio and Tier I capital ratio are 4.00% (2013: 3.50%) and 5.50% (2013: 4.50%) respectively for year 2014. The minimum regulatory capital adequacy requirement remains at 8.00% (2013: 8.00%) for total capital ratio.

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

Basel III

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

	The Group		The Bank	
	Financial Period Ended	Financial Year Ended	Financial Period Ended	Financial Year Ended
	31/12/2014	30/06/2014	31/12/2014	30/06/2014
Before deducting proposed dividends				
CET I capital ratio	11.078%	10.903%	10.341%	10.172%
Tier I capital ratio	12.439%	12.306%	11.887%	11.777%
Total capital ratio	<u>14.967%</u>	<u>15.072%</u>	<u>14.600%</u>	<u>14.657%</u>
After deducting proposed dividends				
CET I capital ratio	10.840%	10.480%	10.071%	9.689%
Tier I capital ratio	12.201%	11.883%	11.617%	11.294%
Total capital ratio	<u>14.729%</u>	<u>14.649%</u>	<u>14.330%</u>	<u>14.173%</u>

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A26 Capital adequacy (continued)

Basel III

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

	The Group		The Bank	
	Financial Period Ended 31/12/2014 RM'000	Financial Year Ended 30/06/2014 RM'000	Financial Period Ended 31/12/2014 RM'000	Financial Year Ended 30/06/2014 RM'000
CET I capital				
Paid-up share capital	1,879,909	1,879,909	1,879,909	1,879,909
Share premium	2,871,624	2,832,383	2,871,624	2,832,383
Retained profits	7,380,686	7,189,104	5,604,877	5,375,070
Other reserves	3,480,130	3,171,817	2,995,623	2,773,797
Less: Treasury shares	(614,802)	(645,579)	(614,802)	(645,579)
Less: Other Intangible Assets	(336,870)	(347,791)	(323,196)	(335,319)
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)
Less : Investment in subsidiary companies/ associated company/joint venture	(457,475)	(430,676)	(475,818)	(475,075)
Total CET I capital	12,371,890	11,817,855	10,166,670	9,633,639
Additional Tier I capital				
Non-innovative Tier I stapled securities	1,120,000	1,120,000	1,120,000	1,120,000
Innovative Tier I capital securities	400,000	400,000	400,000	400,000
Total additional Tier I capital	1,520,000	1,520,000	1,520,000	1,520,000
Total Tier I capital	13,891,890	13,337,855	11,686,670	11,153,639
Tier II capital				
Collective assessment allowance [^]	665,268	732,980	582,723	639,439
Subordinated bonds	3,988,000	3,988,000	3,988,000	3,988,000
Tier II capital before regulatory adjustments	4,653,268	4,720,980	4,570,723	4,627,439
Less: Regulatory adjustments				
Investment in subsidiary companies	-	-	(1,084,684)	(1,081,727)
Investment in associated company	(1,752,823)	(1,650,640)	(757,218)	(757,204)
Investment in joint venture	(77,075)	(72,064)	(61,369)	(61,369)
Total Tier II capital	2,823,370	2,998,276	2,667,452	2,727,139
Total capital	16,715,260	16,336,131	14,354,122	13,880,778

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

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A26 Capital adequacy (continued)

Basel III

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

	The Group		The Bank	
	Financial Period Ended 31/12/2014 RM'000	Financial Year Ended 30/06/2014 RM'000	Financial Period Ended 31/12/2014 RM'000	Financial Year Ended 30/06/2014 RM'000
Credit risk	100,877,412	96,729,672	88,090,961	84,227,557
Market risk	3,194,547	4,126,372	3,614,460	3,912,418
Operational risk	7,609,469	7,532,731	6,611,071	6,563,115
Total RWA	111,681,428	108,388,775	98,316,492	94,703,090

The Bank and its Islamic subsidiary, HLISB's profit after tax for the half year ended 31 December 2014, had been subjected to a limited review by our external auditors. As such the Bank's and HLISB's profit after tax for the half year ended 31 December 2014 have been included in the capital base used in the computation of the Group's and the Bank's Capital Adequacy Ratios accordingly.

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

Hong Leong Islamic Bank Berhad

	Financial Period Ended 31/12/2014	Financial Year Ended 30/06/2014
Before deducting proposed dividends		
CET I capital ratio	12.432%	11.829%
Tier I capital ratio	12.432%	11.829%
Total capital ratio	16.185%	15.587%
After deducting proposed dividends		
CET I capital ratio	12.119%	11.392%
Tier I capital ratio	12.119%	11.392%
Total capital ratio	15.871%	15.150%

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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 domestic 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 domestic 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.

Certain comparative figures have been reclassified to conform with current year's presentation.

Financial quarter ended 31/12/2014

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Others and Inter-Segment Elimination RM'000	Total RM'000
<u>By business segment</u>						
External revenue	651,775	122,226	316,358	46,380	(113,291)	1,023,448
Inter-segment revenue	(30,901)	111,134	(207,085)	-	126,852	-
Segment revenue	620,874	233,360	109,273	46,380	13,561	1,023,448
Segment profit before taxation	296,986	252,653	86,694	(1,214)	(19,364)	615,755
Share of profit after tax of equity accounted associated company				88,411		88,411
Share of profit after tax of equity accounted joint venture				2,859		2,859
Profit before taxation						707,025
Taxation						(155,423)
Profit after taxation						551,602

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

Financial period ended 31/12/2014

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Others and Inter-Segment Elimination RM'000	Total RM'000
<u>By business segment</u>						
External revenue	1,282,486	262,425	635,234	95,441	(237,580)	2,038,006
Inter-segment revenue	(66,556)	203,760	(402,087)	-	264,883	-
Segment revenue	<u>1,215,930</u>	<u>466,185</u>	<u>233,147</u>	<u>95,441</u>	<u>27,303</u>	<u>2,038,006</u>
Segment profit before taxation	560,085	461,189	185,911	8,754	4,940	1,220,879
Share of profit after tax of equity accounted associated company				183,817		183,817
Share of profit after tax of equity accounted joint venture				6,264		6,264
Profit before taxation						<u>1,410,960</u>
Taxation						<u>(311,790)</u>
Profit after taxation						<u>1,099,170</u>
Segment assets	73,504,068	29,441,521	55,409,453	9,424,988	-	167,780,030
Unallocated assets						9,202,847
Total assets						<u>176,982,877</u>

Corresponding quarter ended 31/12/2013

	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	606,520	132,974	345,260	48,791	(78,574)	1,054,971
Inter-segment revenue	14,205	118,331	(213,736)	-	81,200	-
Segment revenue	<u>620,725</u>	<u>251,305</u>	<u>131,524</u>	<u>48,791</u>	<u>2,626</u>	<u>1,054,971</u>
Segment profit before taxation	275,953	195,282	107,277	9,775	(9,489)	578,798
Share of profit after tax of equity accounted associated company				82,780		82,780
Share of profit after tax of equity accounted joint venture				1,828		1,828
Profit before taxation						<u>663,406</u>
Taxation						<u>(143,119)</u>
Profit after taxation						<u>520,287</u>

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

Corresponding financial period ended 31/12/2013

	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	1,193,798	274,889	692,088	92,640	(169,038)	2,084,377
Inter-segment revenue	42,894	225,025	(429,057)	-	161,138	-
Segment revenue	<u>1,236,692</u>	<u>499,914</u>	<u>263,031</u>	<u>92,640</u>	<u>(7,900)</u>	<u>2,084,377</u>
Segment profit before taxation	555,198	414,223	219,867	26,868	(29,564)	1,186,592
Share of profit after tax of equity accounted associated company				172,251		172,251
Share of profit after tax of equity accounted joint venture				3,902		3,902
Profit before taxation						<u>1,362,745</u>
Taxation						<u>(297,971)</u>
Profit after taxation						<u>1,064,774</u>
Segment assets	67,287,240	29,156,539	52,435,483	8,818,207	-	157,697,469
Unallocated assets						7,739,150
Total assets						<u>165,436,619</u>

A28 Property and equipment

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

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

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

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) On 26 November 2014, the Bank announced that it had placed Promitol Sdn Bhd ("Promitol"), a wholly-owned subsidiary of the Bank, under member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965. HLB also announced that WTB Corporation Sdn Bhd ("WTB"), a wholly-owned subsidiary of HLF Credit (Perak) Bhd, which in turn is a wholly-owned subsidiary of HLB, had placed Wah Tat Nominees (Asing) Sdn Bhd ("Wah Tat Nominees (Asing)"), a wholly-owned subsidiary of WTB, under member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965. Both Promitol and Wah Tat Nominees (Asing) are dormant.

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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.

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

	The Group		The Bank	
	31/12/2014	30/06/2014	31/12/2014	30/06/2014
	RM'000	RM'000	RM'000	RM'000
Principal Amount				
Direct credit substitutes	321,849	356,167	320,852	355,108
Certain transaction related contingent items	1,683,899	1,706,130	1,607,321	1,609,051
Short term self liquidating trade related contingencies	805,807	765,904	794,029	737,856
Forward asset purchases	-	37,432	-	37,432
Irrevocable commitments to extend credit:				
- maturity more than one year	18,291,231	17,251,829	15,383,638	14,568,131
- maturity less than one year	17,366,073	15,821,707	15,988,475	14,681,470
Foreign exchange related contracts:				
- less than one year	45,047,195	41,760,495	44,179,258	40,980,702
- one year to less than five years	4,494,566	4,369,268	4,493,396	4,369,456
- five years and above	722,150	598,871	722,150	598,871
Interest rate related contracts:				
- less than one year	19,181,810	45,035,485	19,081,810	44,935,485
- one year to less than five years	41,504,689	49,018,223	41,094,689	47,758,223
- five years and above	6,664,736	8,501,058	6,714,736	8,451,058
Equity related contracts:				
- less than one year	226,900	207,936	226,900	207,936
- one year to less than five years	-	94,310	-	94,310
Unutilised credit card lines	7,381,779	7,610,596	7,381,779	7,610,596
Total	163,692,684	193,135,411	157,989,033	186,995,685

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A31 Related party transactions

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

(a) Connected Parties (CP) Exposures

	The Group		The Bank	
	31/12/2014	30/06/2014	31/12/2014	30/06/2014
	RM'000	RM'000	RM'000	RM'000
Aggregate Value of Outstanding Credit Exposures with Connected Parties	6,415,764	6,329,379	6,204,474	6,119,610
Outstanding Credit Exposures to Connected Parties as a Proportion of Total Credit Exposures (%)	5.07%	5.18%	5.67%	5.79%
Outstanding Credit Exposures with Connected Parties Which is Non-Performing or in Default as a Proportion of Total Credit Exposures (%)	0.0004%	0.0004%	0.0005%	0.0004%

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A32 Fair value of financial instruments

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

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

(a) Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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A32 Fair value of financial instruments (continued)

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

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

The Group				
31 December 2014				
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	-	13,000,411	-	13,000,411
- Quoted Securities	112,407	-	-	112,407
- Unquoted Securities	-	484,842	-	484,842
Financial investments available-for-sale				
- Money market instrument	-	6,247,955	-	6,247,955
- Quoted Securities	9,127,336	-	-	9,127,336
- Unquoted Securities	-	5,162,709	367,628	5,530,337
Derivative financial instruments	2,551	1,322,857	61,675	1,387,083
	<u>9,242,294</u>	<u>26,218,774</u>	<u>429,303</u>	<u>35,890,371</u>
<u>Financial Liability</u>				
Derivative financial instruments	2,216	1,111,499	62,131	1,175,846

The Group				
30 June 2014				
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	-	10,737,861	-	10,737,861
- Quoted Securities	247,058	-	-	247,058
- Unquoted Securities	-	329,557	-	329,557
Financial investments available-for-sale				
- Money market instrument	-	6,004,809	-	6,004,809
- Quoted Securities	6,000,978	-	-	6,000,978
- Unquoted Securities	-	4,304,106	367,316	4,671,422
Derivative financial instruments	1,417	686,024	-	687,441
	<u>6,249,453</u>	<u>22,062,357</u>	<u>367,316</u>	<u>28,679,126</u>
<u>Financial Liability</u>				
Derivative financial instruments	13,745	776,670	-	790,415

The Group recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (30 June 2014 - RM Nil).

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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				
31 December 2014				
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	-	10,044,463	-	10,044,463
- Quoted Securities	112,407	-	-	112,407
- Unquoted Securities	-	484,842	-	484,842
Financial investments available-for-sale				
- Money market instrument	-	4,017,007	-	4,017,007
- Quoted Securities	9,084,804	-	-	9,084,804
- Unquoted Securities	-	4,408,859	367,581	4,776,440
Derivative financial instruments	2,551	1,283,332	52,102	1,337,985
	<u>9,199,762</u>	<u>20,238,503</u>	<u>419,683</u>	<u>29,857,948</u>
<u>Financial Liability</u>				
Derivative financial instruments	<u>2,216</u>	<u>1,081,941</u>	<u>52,558</u>	<u>1,136,715</u>

The Bank				
30 June 2014				
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	-	9,556,219	-	9,556,219
- Quoted Securities	247,058	-	-	247,058
- Unquoted Securities	-	329,557	-	329,557
Financial investments available-for-sale				
- Money market instrument	-	3,816,889	-	3,816,889
- Quoted Securities	5,907,161	-	-	5,907,161
- Unquoted Securities	-	3,641,058	367,269	4,008,327
Derivative financial instruments	1,417	668,908	-	670,325
	<u>6,155,636</u>	<u>18,012,631</u>	<u>367,269</u>	<u>24,535,536</u>
<u>Financial Liability</u>				
Derivative financial instruments	<u>13,745</u>	<u>746,661</u>	<u>-</u>	<u>760,406</u>

The Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (30 June 2014 - RM Nil).

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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:

	Financial investments available-for-sale	
	The Group RM'000	The Bank RM'000
At 1 July	367,316	367,269
Net fair value changes recognised in other comprehensive income	312	312
At 31 December	<u>367,628</u>	<u>367,581</u>
Total gain recognised in other comprehensive income relating to assets held on 31 December 2014	<u>312</u>	<u>312</u>

	Financial investments available-for-sale	
	The Group RM'000	The Bank RM'000
At 1 July	329,963	329,897
Net fair value changes recognised in other comprehensive income	37,353	37,372
At 31 December	<u>367,316</u>	<u>367,269</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2014	<u>37,353</u>	<u>37,372</u>

A33 Liquidity Risk

Please refer to Appendix A.

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

B1 Review of performance

Current Quarter vs. Previous Year Corresponding Quarter

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

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 RM297.0 million for the 2nd quarter ended December 2014 as compared to previous corresponding quarter of RM276.0 million. The increase in pre-tax profit mainly contributed by higher total income and lower operating expenses, offset by higher allowance for impairment losses on loans, advances and financing.

Business and Corporate Banking

The Business and Corporate Banking's segment recorded a pre-tax profit of RM252.7 million for the 2nd quarter ended December 2014 as compared to previous corresponding quarter of RM195.3 million. Higher pre-tax profit mainly due to lower operating expenses and higher impairment write back and recoveries on loans, advances and financing.

Global Markets

The Global Market's segment recorded a pre-tax profit of RM86.7 million for the 2nd quarter ended December 2014 as compared to previous corresponding quarter of RM107.3 million. The decrease in pre-tax profit due to lower total income and higher operating expenses.

International Banking

The International Banking's segment recorded a pre-tax profit of RM90.1 million for the 2nd quarter ended December 2014 as compared to previous corresponding quarter of RM94.4 million.

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

The Group pre-tax profit for the financial period ended 31 December 2014 stood at RM1,411.0 million, an increase of RM48.2 million or 3.5% as compared to RM1,362.7 million in the previous corresponding period. The increase was due to lower operating expenses of RM22.1 million, higher write back of allowance for impairment losses on loans, advances and financing of RM71.4 million and higher share of profit from Bank of Chengdu and joint venture totaling RM13.9 million. This is however mitigated by lower net income by RM46.4 million and lower write back of impairment losses from securities of RM12.8 million.

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B1 Review of performance (continued)

Current Year-to-date vs. Previous Year-to-date (continued)

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 RM560.1 million for the financial period ended December 2014 as compared to previous corresponding period of RM555.2 million. The increase in pre-tax profit due to lower operating expenses and lower allowance for impairment losses on loans, advances and financing, offset by lower total income.

Personal Financial Services's loan base grew from RM66.7 billion in December 2013 to RM73.1 billion in December 2014. Deposit base registered an increase from RM67.4 billion to RM71.0 billion.

Business and Corporate Banking

The Group Business and Corporate Banking's segment recorded a pre-tax profit of RM461.2 million for the financial period ended December 2014 as compared to corresponding period of RM414.2 million. Higher pre-tax profit contributed by lower operating expenses and higher impairment write back and recoveries on loans, advances and financing, offset by lower net interest income.

Business and Corporate Banking's loan base grew from RM29.0 billion in December 2013 to RM 29.4 billion in December 2014. Deposit base registered a marginal growth from RM34.7 billion to RM34.8 billion.

Global Markets

The Global Market's segment recorded a pre-tax profit of RM185.9 million for the financial period ended December 2014 as compared to corresponding period of RM219.9 million. The decrease in pre-tax profit mainly due to lower non interest income.

Treasury earning assets increased from RM50.9 billion in December 2013 to RM53.7 billion in December 2014.

International Banking

The International Banking's segment recorded a pre-tax profit of RM198.8 million for the financial period ended December 2014 as compared to previous corresponding period of RM203.0 million.

B2 Current Quarter vs. Preceding Quarter

For the current financial quarter, the Group recorded a pre-tax profit of RM707.0 million as compared to RM703.9 million in the preceding quarter, an increase of RM3.1 million arising from higher net income of RM8.9 million and higher write back on allowance for impairment losses on loans, advances and financing of RM39.0 million. This is however netted off by higher operating expenses of RM34.2 million, lower write back of impairment losses from securities of RM3.1 million and lower share of profit from Bank of Chengdu and joint venture of RM7.5 million.

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B3 Current year prospects

It remains a strategic imperative for the Group to continue focusing on building a high performance business and strengthening the foundations for sustainable profitability through a full Universal Banking Model in the domestic market while at the same time deepening our niche market offerings in regional businesses.

The Group is committed to accelerating fee-based activities with key focus on strengthening our Wealth Management offerings to individual customers and serving our Corporate and SME customers' treasury product needs.

Earning customer advocacy remains an important agenda for the Group as we continue to embed service excellence by enhancing customer experience. The Group continues to focus on digitisation efforts, enhancing multi-channel integration, improving analytics for deeper customer engagement, and aiming to reinforce the connections between the branches and their respective communities.

For regional business growth, we will strengthen our core businesses by focusing on appropriate customer segments and scalable business propositions which would create substantive business value. M&A are opportunistic in nature and we would continue to explore them as opportunities arise.

B4 Variance in profit forecast and shortfall in profit guarantee

This note is not applicable to the Group.

B5 Taxation

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	RM'000	RM'000	RM'000	RM'000
The Group				
Malaysian income tax	157,637	145,331	316,215	302,394
Transfer to deferred taxation	(2,214)	(2,212)	(4,425)	(4,423)
	<u>155,423</u>	<u>143,119</u>	<u>311,790</u>	<u>297,971</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	RM'000	RM'000	RM'000	RM'000
The Bank				
Malaysian income tax	174,513	144,586	315,113	303,548
Transfer to deferred taxation	(2,214)	(2,212)	(4,425)	(4,423)
	<u>172,299</u>	<u>142,374</u>	<u>310,688</u>	<u>299,125</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.

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B9 Off-balance sheet financial instruments

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

The Group

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
Forwards			
(i) Less than 1 year	35,553,942	774,033	(419,052)
(ii) 1 year to 3 years	274,946	15,150	(2,170)
Swaps			
(i) Less than 1 year	6,202,900	80,621	(86,331)
(ii) 1 year to 3 years	1,601,359	53,364	(92,454)
(iii) More than 3 years	3,340,411	135,144	(161,788)
Options			
(i) Less than 1 year	3,290,353	38,262	(34,708)
Interest rate related contracts			
Futures			
(i) Less than 1 year	3,904,138	645	(725)
(ii) 1 year to 3 years	90,174	73	(5)
Swaps			
(i) Less than 1 year	15,277,672	18,799	(25,576)
(ii) 1 year to 3 years	26,343,962	81,361	(66,791)
(iii) More than 3 years	21,735,289	188,409	(285,024)
Equity related contracts			
(i) Less than 1 year	226,900	1,222	(1,222)
Total	117,842,046	1,387,083	(1,175,846)

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B9 Off-balance sheet financial instruments (continued)

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

The Group

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
Forwards			
(i) Less than 1 year	31,834,067	191,513	(234,697)
(ii) 1 year to 3 years	351,223	2,160	(3,928)
Swaps			
(i) Less than 1 year	5,690,038	66,034	(48,120)
(ii) 1 year to 3 years	831,697	30,583	(26,381)
(iii) More than 3 years	3,785,219	74,337	(76,319)
Options			
(i) Less than 1 year	4,236,390	12,282	(12,940)
Interest rate related contracts			
Futures			
(i) Less than 1 year	28,700,845	951	(3,015)
(ii) 1 year to 3 years	8,911,717	624	(1,359)
Swaps			
(i) Less than 1 year	16,334,640	12,035	(18,527)
(ii) 1 year to 3 years	22,276,354	62,920	(72,124)
(iii) More than 3 years	26,331,210	232,853	(291,856)
Equity related contracts			
(i) Less than 1 year	207,936	1,149	(1,149)
(ii) 1 year to 3 years	94,310	-	-
Total	149,585,646	687,441	(790,415)

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B9 Off-balance sheet financial instruments (continued)

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

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	34,810,512	747,085	(407,161)
(ii) 1 year to 3 years	273,776	15,148	(2,226)
Swaps			
(i) Less than 1 year	6,078,393	80,579	(85,943)
(ii) 1 year to 3 years	1,601,359	53,364	(92,454)
(iii) More than 3 years	3,340,411	135,144	(161,788)
Options			
(i) Less than 1 year	3,290,353	38,262	(34,708)
Interest rate related contracts			
Futures			
(i) Less than 1 year	3,904,138	645	(725)
(ii) 1 year to 3 years	90,174	73	(5)
Swaps			
(i) Less than 1 year	15,177,672	18,652	(25,576)
(ii) 1 year to 3 years	26,043,962	79,739	(65,880)
(iii) More than 3 years	21,675,289	168,072	(259,027)
Equity related contracts			
(i) Less than 1 year	226,900	1,222	(1,222)
Total	116,512,939	1,337,985	(1,136,715)

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B9 Off-balance sheet financial instruments (continued)

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

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	31,147,342	190,295	(229,122)
(ii) 1 year to 3 years	351,411	1,126	(2,949)
Swaps			
(i) Less than 1 year	5,596,970	64,877	(47,412)
(ii) 1 year to 3 years	831,697	30,583	(26,381)
(iii) More than 3 years	3,785,219	74,337	(76,319)
Options			
(i) Less than 1 year	4,236,390	12,282	(12,940)
Interest rate related contracts			
Futures			
(i) Less than 1 year	28,700,845	951	(3,015)
(ii) 1 year to 3 years	8,911,717	624	(1,359)
Swaps			
(i) Less than 1 year	16,234,640	11,977	(18,527)
(ii) 1 year to 3 years	21,876,354	59,952	(70,061)
(iii) More than 3 years	25,421,210	222,171	(271,172)
Equity related contracts			
(i) Less than 1 year	207,936	1,150	(1,149)
(ii) 1 year to 3 years	94,310	-	-
Total	147,396,041	670,325	(760,406)

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

Derivatives

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

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial year, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM1,477,882,659 (FYE June 2014: RM796,624,194). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Derivatives

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

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

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

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

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B9 Off-balance sheet financial instruments (continued)

Credit risk (continued)

Derivatives (continued)

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

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

Liquidity risk

Derivatives

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

Related accounting policies

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

Fair value hedge

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

Cash flow hedge

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

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B10 Material litigation

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

B11 Dividend

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

- (i) Amount per share: Single tier dividend of 15.0 sen
- (ii) Previous corresponding quarter: Single tier dividend of 15.0 sen
- (iii) Entitlement date: 12 March 2015
- (iv) Payment date: 26 March 2015

B12 Realised and Unrealised Profits

	The Group	
	Financial Period Ended 31/12/2014	Financial Year Ended 30/06/2014
	RM'000	RM'000
Total retained profits of Hong Leong Bank Berhad and it's subsidiaries		
- Realised	4,657,803	5,327,227
- Unrealised	1,553,294	637,892
	6,211,097	5,965,119
Total share of retained profits from associated company		
- Realised	1,487,301	1,303,484
Total share of retained profits from joint venture		
- Realised	19,633	13,369
	7,718,031	7,281,972
Less: Consolidation Adjustment	(143,829)	(92,868)
Total Group's Retained Profit	7,574,202	7,189,104

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 is calculated by dividing the profit after taxation and minority interest by the weighted average number of ordinary shares (excluding treasury shares) in issue during the period.

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2014 RM'000	31/12/2013 RM'000	31/12/2014 RM'000	31/12/2013 RM'000
<u>The Group</u>				
Net profit attributable to shareholders of the company	551,602	520,287	1,099,170	1,064,774
Weighted average number of ordinary shares in issue ('000)	1,879,909	1,879,909	1,879,909	1,879,909
Less: Treasury shares held	(114,321)	(119,395)	(114,321)	(119,395)
	<u>1,765,588</u>	<u>1,760,514</u>	<u>1,765,588</u>	<u>1,760,514</u>
Basic earnings per share (sen)	31.2	29.6	62.3	60.5
<u>The Bank</u>				
Net profit attributable to shareholders of the company	506,044	416,123	915,445	870,547
Weighted average number of ordinary shares in issue ('000)	1,879,909	1,879,909	1,879,909	1,879,909
Less: Treasury shares held	(114,321)	(119,395)	(114,321)	(119,395)
	<u>1,765,588</u>	<u>1,760,514</u>	<u>1,765,588</u>	<u>1,760,514</u>
Basic earnings per share (sen)	28.7	23.6	51.8	49.4

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B13 Earnings per share (continued)

(b) Fully diluted earnings per share

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

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2014 RM'000	31/12/2013 RM'000	31/12/2014 RM'000	31/12/2013 RM'000
<u>The Group</u>				
Net profit attributable to shareholders of the company	551,602	520,287	1,099,170	1,064,774
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,765,588	1,760,514	1,765,588	1,760,514
- adjustment for ESOS	44	1,157	44	1,157
	<u>1,765,632</u>	<u>1,761,671</u>	<u>1,765,632</u>	<u>1,761,671</u>
Fully diluted earnings per share (sen)	31.2	29.5	62.3	60.4
<u>The Bank</u>				
Net profit attributable to shareholders of the company	506,044	416,123	915,445	870,547
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	1,765,588	1,760,514	1,765,588	1,760,514
- adjustment for ESOS	44	1,157	44	1,157
	<u>1,765,632</u>	<u>1,761,671</u>	<u>1,765,632</u>	<u>1,761,671</u>
Fully diluted earnings per share (sen)	28.7	23.6	51.8	49.4

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A33 Liquidity Risk

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

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 31 December 2014 based on the remaining contractual maturity:

	The Group 31 December 2014							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	5,140,661	1,994,874	-	-	-	-	-	7,135,535
Deposits and placements with banks and other financial institutions	-	-	1,010,078	875,088	1,662,632	-	-	3,547,798
Securities purchased under resale agreements	1,841,821	3,699,473	506,779	-	-	-	-	6,048,073
Financial assets held-for-trading	540,684	2,130,178	4,957,610	2,615,513	288,196	3,065,479	-	13,597,660
Financial investments available-for-sale	3,252,429	992,623	1,139,329	1,591,858	833,486	12,687,912	407,991	20,905,628
Financial investments held-to-maturity	49	4,406	101,360	100,477	644,729	8,139,732	-	8,990,753
Loans, advances and financing	9,535,669	8,920,429	3,869,071	1,230,214	3,125,160	79,261,706	-	105,942,249
Other assets	122,872	2,741	5,028	4,905	5,420	2,735	723,015	866,716
Derivative financial instruments	95,180	104,231	164,007	230,984	319,180	473,501	-	1,387,083
Statutory deposits with Central Banks	-	-	-	-	-	-	3,325,813	3,325,813
Investment in associated companies	-	-	-	-	-	-	2,191,029	2,191,029
Investment in joint venture	-	-	-	-	-	-	96,344	96,344
Property and equipment	-	-	-	-	-	-	780,014	780,014
Intangible assets	-	-	-	-	-	-	336,870	336,870
Goodwill	-	-	-	-	-	-	1,831,312	1,831,312
Total assets	20,529,365	17,848,955	11,753,262	6,649,039	6,878,803	103,631,065	9,692,388	176,982,877

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A33 Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 31 December 2014 based on the remaining contractual maturity: (continued)

	The Group 31 December 2014							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	47,820,696	22,708,296	22,685,378	15,131,467	19,123,936	4,538,710	-	132,008,483
Deposits and placements of banks and other financial institutions	3,151,262	2,603,387	2,122,277	993,900	34,355	-	-	8,905,181
Obligations on securities sold under repurchase agreements	442,891	1,283,431	1,920,233	2,266,783	-	-	-	5,913,338
Bills and acceptances payable	105,619	112,858	101,407	16,746	159	-	266,440	603,229
Other liabilities	3,839,481	-	-	-	34,993	-	233,269	4,107,743
Derivative financial instruments	104,613	103,835	197,117	53,761	108,290	608,230	-	1,175,846
Senior bonds	-	-	-	-	-	2,110,672	-	2,110,672
Tier 2 subordinated bonds	-	-	-	-	1,212,509	3,406,624	-	4,619,133
Non-innovative Tier 1 stapled securities	-	-	-	-	-	1,410,617	-	1,410,617
Innovative Tier 1 capital securities	-	-	-	-	-	535,648	-	535,648
Provision for taxation	-	-	-	-	-	-	177,895	177,895
Deferred tax liabilities	-	-	-	-	-	-	124,472	124,472
Total liabilities	54,957,783	26,811,807	27,533,191	18,462,657	20,514,242	12,610,501	802,076	161,692,257
Total equity	-	-	-	-	-	-	15,290,620	15,290,620
Total liabilities and equity	54,957,783	26,811,807	27,533,191	18,462,657	20,514,242	12,610,501	16,092,696	176,982,877
Net liquidity gap	(34,428,418)	(8,962,852)	(15,779,929)	(11,813,618)	(13,635,439)	91,020,564	8,890,312	15,290,620

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A33 Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 31 December 2013 based on the remaining contractual maturity:

	The Group 30 June 2014							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	8,099,425	6,613,364	-	-	-	-	-	14,712,789
Deposits and placements with banks and other financial institutions	-	-	1,854,185	2,186,091	-	-	-	4,040,276
Securities purchased under resale agreements	330,766	1,861,122	525,133	-	-	-	-	2,717,021
Financial assets held-for-trading	1,131,472	1,610,768	4,760,981	2,842,521	210,900	753,951	3,883	11,314,476
Financial investments available-for-sale	2,164,454	877,577	922,662	444,348	1,015,867	10,837,534	414,767	16,677,209
Financial investments held-to-maturity	8,171	20,343	-	-	202,557	8,685,497	-	8,916,568
Loans, advances and financing	9,219,861	9,009,580	4,260,701	1,587,252	2,680,392	75,821,290	-	102,579,076
Other assets	43,835	3,488	5,454	7,407	1,717	14,723	420,613	497,237
Derivative financial instruments	60,526	49,532	83,757	30,112	60,037	403,477	-	687,441
Statutory deposits with Central Banks	-	-	-	-	-	-	3,150,642	3,150,642
Investment in associated companies	-	-	-	-	-	-	2,063,300	2,063,300
Investment in joint venture	-	-	-	-	-	-	90,080	90,080
Property and equipment	-	-	-	-	-	-	725,585	725,585
Intangible assets	-	-	-	-	-	-	347,791	347,791
Goodwill	-	-	-	-	-	-	1,831,312	1,831,312
Total assets	21,058,510	20,045,774	12,412,873	7,097,731	4,171,470	96,516,472	9,047,973	170,350,803

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A33 Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 31 December 2013 based on the remaining contractual maturity: (continued)

	The Group 30 June 2014							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	47,585,319	20,704,847	25,308,965	15,022,784	17,670,231	3,960,191	-	130,252,337
Deposits and placements of banks and other financial institutions	1,929,400	2,282,272	2,222,812	527,854	148,957	-	-	7,111,295
Obligations on securities sold under repurchase agreements	609,567	2,434,004	1,022,584	50,733	-	-	-	4,116,888
Bills and acceptances payable	137	3,142	23,668	20,530	1,476	-	309,779	358,732
Other liabilities	3,943,805	-	-	84,160	124,217	-	98,855	4,251,037
Derivative financial instruments	43,042	38,218	54,181	56,293	126,715	471,966	-	790,415
Senior bonds	-	-	-	-	-	1,936,207	-	1,936,207
Tier 2 subordinated bonds	-	-	-	-	-	4,868,353	-	4,868,353
Non-innovative Tier 1 stapled securities	-	-	-	-	-	1,410,252	-	1,410,252
Innovative Tier 1 capital securities	-	-	-	-	-	541,767	-	541,767
Provision for taxation	-	-	-	-	-	-	49,581	49,581
Deferred tax liabilities	-	-	-	-	-	-	133,761	133,761
Total liabilities	54,111,270	25,462,483	28,632,210	15,762,354	18,071,596	13,188,736	591,976	155,820,625
Total equity	-	-	-	-	-	-	14,530,178	14,530,178
Total liabilities and equity	54,111,270	25,462,483	28,632,210	15,762,354	18,071,596	13,188,736	15,122,154	170,350,803
Net liquidity gap	(33,052,760)	(5,416,709)	(16,219,337)	(8,664,623)	(13,900,126)	83,327,736	8,455,997	14,530,178

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A33 Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 31 December 2014 based on the remaining contractual maturity:

	The Bank							
	31 December 2014							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	5,043,953	1,730,973	-	-	-	-	-	6,774,926
Deposits and placements with banks and other financial institutions	-	-	948,667	875,088	1,662,632	-	-	3,486,387
Securities purchased under resale agreements	1,841,821	3,699,473	506,779	-	-	-	-	6,048,073
Financial assets held-for-trading	539,869	640,790	3,703,644	2,188,802	273,515	3,295,092	-	10,641,712
Financial investments available-for-sale	3,213,865	950,911	1,094,764	1,402,621	474,076	10,334,070	407,944	17,878,251
Financial investments held-to-maturity	49	-	101,360	160,675	421,356	7,159,386	-	7,842,826
Loans, advances and financing	9,328,872	8,580,640	3,652,487	1,051,191	2,693,996	65,724,886	-	91,032,072
Other assets	95,017	2,711	4,967	4,830	5,351	2,195	673,424	788,495
Derivative financial instruments	87,254	100,652	148,522	230,837	319,180	451,540	-	1,337,985
Amount due from subsidiaries	-	-	-	-	-	-	9,338	9,338
Statutory deposits with Central Banks	-	-	-	-	-	-	2,783,000	2,783,000
Subsidiary companies	-	-	-	-	-	-	1,355,855	1,355,855
Investment in associated companies	-	-	-	-	-	-	946,523	946,523
Investment in joint venture	-	-	-	-	-	-	76,711	76,711
Property and equipment	-	-	-	-	-	-	739,439	739,439
Intangible assets	-	-	-	-	-	-	323,196	323,196
Goodwill	-	-	-	-	-	-	1,771,547	1,771,547
Total assets	20,150,700	15,706,150	10,161,190	5,914,044	5,850,106	86,967,169	9,086,977	153,836,336

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A33 Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 31 December 2014 based on the remaining contractual maturity: (continued)

	The Bank 31 December 2014							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	41,814,411	19,289,787	19,591,884	13,736,098	16,882,561	4,000,594	-	115,315,335
Deposits and placements of banks and other financial institutions	2,305,590	2,202,282	1,664,724	471,472	34,355	-	-	6,678,423
Obligations on securities sold under repurchase agreements	442,891	1,283,431	1,920,233	2,266,783	-	-	-	5,913,338
Bills and acceptances payable	105,615	112,735	100,655	15,735	159	-	227,472	562,371
Other liabilities	2,594,815	-	-	-	34,940	-	202,633	2,832,388
Derivative financial instruments	99,036	101,025	193,242	53,741	108,292	581,379	-	1,136,715
Senior bonds	-	-	-	-	-	2,110,672	-	2,110,672
Tier 2 subordinated bonds	-	-	-	-	1,212,509	3,006,373	-	4,218,882
Non-innovative Tier 1 stapled securities	-	-	-	-	-	1,410,617	-	1,410,617
Innovative Tier 1 capital securities	-	-	-	-	-	535,648	-	535,648
Provision for taxation	-	-	-	-	-	-	150,190	150,190
Deferred tax liabilities	-	-	-	-	-	-	126,482	126,482
Total liabilities	46,855,579	22,989,260	23,977,517	16,543,829	18,272,816	11,645,283	706,777	140,991,061
Total equity	-	-	-	-	-	-	12,845,275	12,845,275
Total liabilities and equity	46,855,579	22,989,260	23,977,517	16,543,829	18,272,816	11,645,283	13,552,052	153,836,336
Net liquidity gap	(26,704,879)	(7,283,110)	(13,816,327)	(10,629,785)	(12,422,710)	75,321,886	8,380,200	12,845,275

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A33 Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 31 December 2013 based on the remaining contractual maturity:

	The Bank 30 June 2014							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	6,954,072	6,675,703	-	-	-	-	-	13,629,775
Deposits and placements with banks and other financial institutions	-	-	1,834,892	2,186,091	-	-	-	4,020,983
Securities purchased under resale agreements	330,766	1,861,122	525,133	-	-	-	-	2,717,021
Financial assets held-for-trading	1,281,248	1,361,140	4,263,342	2,155,514	191,333	876,374	3,883	10,132,834
Financial investments available-for-sale	2,130,085	792,151	866,023	292,219	860,483	8,376,696	414,720	13,732,377
Financial investments held-to-maturity	49	20,343	-	-	262,287	7,545,611	-	7,828,290
Loans, advances and financing	9,048,395	8,660,300	3,681,795	1,314,812	2,294,781	62,873,366	-	87,873,449
Other assets	43,083	3,395	5,299	7,213	1,701	12,378	361,473	434,542
Derivative financial instruments	60,102	48,843	83,501	29,076	60,010	388,793	-	670,325
Amount due from subsidiaries	-	-	-	-	-	-	11,437	11,437
Statutory deposits with Central Banks	-	-	-	-	-	-	2,591,500	2,591,500
Subsidiary companies	-	-	-	-	-	-	1,352,159	1,352,159
Investment in associated companies	-	-	-	-	-	-	946,505	946,505
Investment in joint venture	-	-	-	-	-	-	76,711	76,711
Property and equipment	-	-	-	-	-	-	697,102	697,102
Intangible assets	-	-	-	-	-	-	335,319	335,319
Goodwill	-	-	-	-	-	-	1,771,547	1,771,547
Total assets	19,847,800	19,422,997	11,259,985	5,984,925	3,670,595	80,073,218	8,562,356	148,821,876

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(97141-X)
(Incorporated in Malaysia)

A33 Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 31 December 2013 based on the remaining contractual maturity: (continued)

	The Bank 30 June 2014							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	40,927,807	18,431,712	20,814,066	13,950,025	16,558,748	3,416,477	-	114,098,835
Deposits and placements of banks and other financial institutions	1,398,630	2,041,903	1,557,602	240,292	148,957	-	-	5,387,384
Obligations on securities sold under repurchase agreements	609,566	2,434,005	1,022,584	50,733	-	-	-	4,116,888
Bills and acceptances payable	133	2,973	20,849	18,797	1,476	-	283,671	327,899
Other liabilities	2,981,793	-	-	84,160	120,419	-	97,810	3,284,182
Derivative financial instruments	40,393	37,179	52,295	55,609	126,688	448,242	-	760,406
Senior bonds	-	-	-	-	-	1,936,207	-	1,936,207
Tier 2 subordinated bonds	-	-	-	-	-	4,468,275	-	4,468,275
Non-innovative Tier 1 stapled securities	-	-	-	-	-	1,410,252	-	1,410,252
Innovative Tier 1 capital securities	-	-	-	-	-	541,767	-	541,767
Provision for taxation	-	-	-	-	-	-	24,364	24,364
Deferred tax liabilities	-	-	-	-	-	-	134,919	134,919
Total liabilities	45,958,322	22,947,772	23,467,396	14,399,616	16,956,288	12,221,220	540,764	136,491,378
Total equity	-	-	-	-	-	-	12,330,498	12,330,498
Total liabilities and equity	45,958,322	22,947,772	23,467,396	14,399,616	16,956,288	12,221,220	12,871,262	148,821,876
Net liquidity gap	(26,110,522)	(3,524,775)	(12,207,411)	(8,414,691)	(13,285,693)	67,851,998	8,021,592	12,330,498