

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF**  
**FINANCIAL POSITION AS AT 31 DECEMBER 2011**

	<b>As at 31/12/2011 RM '000</b>	<b>As at 30/06/2011 RM '000</b>
<b>THE GROUP</b>		
<b><u>Assets</u></b>		
Cash and short term funds	27,989,580	32,424,991
Deposits and placements with financial institutions	2,923,662	5,213,395
Securities purchased under resale agreements	581,028	159,770
Financial assets held for trading	17,260,799	6,974,724
Financial investments available-for-sale	13,482,358	10,745,477
Financial investments held-to-maturity	6,675,683	8,141,334
Derivative financial assets	1,069,027	798,164
Loans, advances and financing	85,290,718	82,735,477
Clients' and brokers' balances	197,251	236,393
Other receivables	1,905,876	1,141,112
Statutory deposits with Bank Negara Malaysia	3,088,430	2,220,366
Tax recoverable	5,230	9,752
Investment in associated companies	2,084,566	1,964,951
Investment in jointly controlled entity	75,383	75,252
Deferred taxation	569,466	577,884
Property and equipment	1,075,813	960,252
Intangible assets	1,811,309	1,806,273
<b>Total Assets</b>	<b>166,086,179</b>	<b>156,185,567</b>
<b><u>Liabilities</u></b>		
Deposits from customers	119,308,917	114,748,978
Deposits and placements of banks and other financial institutions	13,270,838	11,445,660
Obligations on securities sold under repurchase agreements	1,480,060	-
Bills and acceptances payable	496,992	683,996
Derivatives financial liabilities	1,026,868	682,098
Clients' and brokers' balances	472,940	591,595
Payables and other liabilities	4,377,801	3,785,776
Provision for claims	74,408	63,763
Provision for taxation	229,516	217,734
Bank loans	518,110	1,535,859
Subordinated obligations	2,885,056	2,837,943
Senior Bonds	956,303	910,810
Non-innovative Tier 1 stapled securities	1,406,163	1,405,706
Innovative Tier 1 capital securities	610,097	503,069
Capital market borrowing	1,119,812	678,381
Insurance funds	6,177,159	5,834,179
<b>Total Liabilities</b>	<b>154,411,040</b>	<b>145,925,547</b>
<b><u>Equity</u></b>		
Share capital	1,052,768	1,052,768
Capital reserves	1,608,607	1,490,500
Retained profits	5,189,121	4,909,703
Fair value reserves	72,549	88,880
Treasury shares held for ESOS scheme	(72,517)	(72,517)
<b>Total shareholders' equity</b>	<b>7,850,528</b>	<b>7,469,334</b>
Non-controlling interest	3,824,611	2,790,686
<b>Total Equity</b>	<b>11,675,139</b>	<b>10,260,020</b>
<b>Total Liabilities and Equity</b>	<b>166,086,179</b>	<b>156,185,567</b>
<b>Commitment and Contingencies</b>	<b>142,872,924</b>	<b>142,202,689</b>
Net assets per share (net of treasury shares) attributable to ordinary equity holder of the parent (RM)	7.57	7.20

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2011**

<b>THE GROUP</b>	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current</b>	<b>Last year</b>	<b>Current year</b>	<b>Last year</b>
	<b>quarter ended</b>	<b>quarter ended</b>	<b>to date</b>	<b>to date</b>
	<b>31/12/2011</b>	<b>31/12/2010</b>	<b>31/12/2011</b>	<b>31/12/2010</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Interest income	1,367,523	751,016	2,739,855	1,477,911
Interest expense	(703,686)	(370,513)	(1,422,965)	(718,658)
Net interest income	663,837	380,503	1,316,890	759,253
Income from Islamic banking business	114,159	49,366	210,193	96,212
Non interest income	266,002	870,923	436,585	1,217,894
Net income	1,043,998	1,300,792	1,963,668	2,073,359
Overhead expenses	(622,294)	(306,305)	(1,083,168)	(568,154)
Operating profit before allowances	421,704	994,487	880,500	1,505,205
Allowances for impairment on loans, advances and financing and other losses	5,352	(39,325)	(17,123)	(79,623)
Impairment loss	6,506	(3,464)	10,311	(3,158)
	433,562	951,698	873,688	1,422,424
Share of results of associated companies	48,609	59,125	121,994	95,976
Share of results of jointly controlled entity	(37)	(466)	131	(727)
Profit before taxation and zakat	482,134	1,010,357	995,813	1,517,673
Taxation	(106,394)	(113,738)	(226,868)	(208,567)
Zakat	(18)	(17)	(41)	(31)
Net profit for the financial period	375,722	896,602	768,904	1,309,075
Attributable to :				
Owners of the parents	234,100	787,007	486,302	1,112,261
Non-controlling interest	141,622	109,595	282,602	196,814
Net profit for the financial period	375,722	896,602	768,904	1,309,075
Basic earnings per ordinary share (sen)	22.6	76.0	46.9	107.4
Diluted earnings per ordinary share (sen)	22.5	75.8	46.7	107.4

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2011**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current quarter ended 31/12/2011</b>	<b>Last year quarter ended 31/12/2010</b>	<b>Current year to date 31/12/2011</b>	<b>Last year to date 31/12/2010</b>
<b>THE GROUP</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Net profit for the financial period	375,722	896,602	768,904	1,309,075
<b>Other comprehensive income:</b>				
Net fair value changes on financial investments available-for-sale, net of tax	35,296	(5,751)	(21,603)	(2,640)
Currency translation differences	(14,531)	5,733	4,904	(21,823)
Total comprehensive income for the period, net of tax	<u>396,487</u>	<u>896,584</u>	<u>752,205</u>	<u>1,284,613</u>
Attributable to :				
Owners of the parents	257,345	788,442	476,279	1,089,252
Non-controlling interest	139,142	108,142	275,926	195,361
	<u>396,487</u>	<u>896,584</u>	<u>752,205</u>	<u>1,284,613</u>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED COMPANY STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011**

	<b>As at 31/12/2011 RM '000</b>	<b>As at 30/06/2011 RM '000</b>
<b>THE COMPANY</b>		
<b><u>Assets</u></b>		
Cash and short term funds	29,785	114,679
Financial assets held for trading	23,738	37,814
Derivative financial assets	223	2,342
Other receivables	60,190	2,360,033
Tax recoverable	3,500	8,475
Investment in subsidiaries	4,214,063	2,393,350
Property and equipment	1,235	1,577
Intangible assets	9	12
<b>Total Assets</b>	<b>4,332,743</b>	<b>4,918,282</b>
<b><u>Liabilities</u></b>		
Derivative financial liabilities	26,453	8,454
Payables and other liabilities	7,836	5,985
Bank loans	498,046	1,515,784
Capital market borrowing	1,119,812	678,381
<b>Total Liabilities</b>	<b>1,652,147</b>	<b>2,208,604</b>
<b><u>Financed by:</u></b>		
Share capital	1,052,768	1,052,768
Capital reserves	385,777	385,777
Retained profits	1,297,837	1,326,919
Treasury shares held for ESOS scheme	(55,786)	(55,786)
<b>Total Equity</b>	<b>2,680,596</b>	<b>2,709,678</b>
<b>Total Liabilities and Equity</b>	<b>4,332,743</b>	<b>4,918,282</b>
<b>Commitment and Contingencies</b>	<b>1,306,480</b>	<b>921,000</b>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED COMPANY STATEMENTS OF INCOME**  
**FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2011**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/12/2011 RM '000	Last year quarter ended 31/12/2010 RM '000	Current year to date 31/12/2011 RM '000	Last year to date 31/12/2010 RM '000
<b>THE COMPANY</b>				
Interest income	4,622	520	30,169	1,814
Interest expense	(17,652)	(4,621)	(38,433)	(11,434)
Net interest expense	(13,030)	(4,101)	(8,264)	(9,620)
Non interest income	176,281	149,505	137,368	151,283
Net income	163,251	145,404	129,104	141,663
Overhead expenses	(5,454)	(16,992)	(10,012)	(21,354)
Profit before taxation and zakat	157,797	128,412	119,092	120,309
Taxation	(42,897)	(35,702)	(42,897)	(35,702)
Net profit for the financial period	114,900	92,710	76,195	84,607
Basic earnings per ordinary share (sen)	11.0	8.9	7.3	8.1
Diluted earnings per ordinary share (sen)	11.0	8.9	7.3	8.1

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2011**

	Share Capital	Share Premium	Statutory Reserves	Other Capital Reserves & General Reserves	Share Options Reserves	Fair Value Reserves	Regulatory Reserve#	Exchange Fluctuation Reserves	Retained Profits	Treasury Shares	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2011</b>													
Opening balance as at 1 July 2011	1,052,768	117,229	1,241,179	133,258	34,965	88,880	726	(36,857)	4,909,702	(72,517)	7,469,333	2,790,686	10,260,019
<u>Comprehensive income</u>													
Net profit for the financial period	-	-	-	-	-	-	-	-	486,302	-	486,302	282,602	768,904
Currency translation differences	-	-	-	-	-	-	-	6,308	-	-	6,308	(1,404)	4,904
Share of other comprehensive income of associates	-	-	-	-	-	-	-	-	-	-	-	-	-
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	(16,331)	-	-	-	-	(16,331)	(5,272)	(21,603)
Total comprehensive (expense)/income	-	-	-	-	-	(16,331)	-	6,308	486,302	-	476,279	275,926	752,205
<u>Transaction with owners</u>													
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	757,999	757,999
Transfer to statutory reserves	-	-	104,644	-	-	-	5,376	-	(104,644)	-	5,376	-	5,376
Dividend paid	-	-	-	-	-	-	-	-	(105,277)	-	(105,277)	-	(105,277)
Exercise of ESOS	-	-	-	-	(1,858)	-	-	-	3,038	-	1,180	-	1,180
Option charge arising from ESOS	-	-	-	-	3,637	-	-	-	-	-	3,637	-	3,637
<b>AT 31 DECEMBER 2011</b>	<b>1,052,768</b>	<b>117,229</b>	<b>1,345,823</b>	<b>133,258</b>	<b>36,744</b>	<b>72,549</b>	<b>6,102</b>	<b>(30,549)</b>	<b>5,189,121</b>	<b>(72,517)</b>	<b>7,850,528</b>	<b>3,824,611</b>	<b>11,675,139</b>

	Share Capital	Share Premium	Statutory Reserves	Other Capital Reserves & General Reserves	Share Options Reserves	Fair Value Reserves	Regulatory Reserve#	Exchange Fluctuation Reserves	Retained Profits	Treasury Shares	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2010</b>													
Opening balance as at 1 July 2010	1,052,768	117,229	1,190,262	133,258	26,655	17,854	-	(3,174)	2,703,870	(78,171)	5,160,551	2,268,279	7,428,830
- Changes in accounting policies (Note 27)	-	-	-	-	-	52,304	-	-	38,750	-	91,054	10,061	101,115
	1,052,768	117,229	1,190,262	133,258	26,655	70,158	-	(3,174)	2,742,620	(78,171)	2,742,620	2,742,620	2,742,620
<u>Comprehensive income</u>													
Net profit for the financial period	-	-	-	-	-	-	-	-	1,112,261	-	1,112,261	196,814	1,309,075
Currency translation differences	-	-	-	-	-	-	-	(16,929)	-	-	(16,929)	(4,894)	(21,823)
Share of other comprehensive income of associates	-	-	-	-	-	-	-	-	-	-	-	-	-
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	(6,080)	-	-	-	-	(6,080)	3,440	(2,640)
Total comprehensive (expense)/income	-	-	-	-	-	(6,080)	-	(16,929)	1,112,261	-	1,089,252	195,361	1,284,613
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	163,730	163,730
Transfer to statutory reserves	-	-	16,929	-	-	-	768	-	(16,929)	-	768	-	768
Gain on partial disposal of subsidiary	-	-	-	-	-	-	-	-	788,368	-	788,368	-	788,368
Dividend paid	-	-	-	-	-	-	-	-	(87,538)	-	(87,538)	-	(87,538)
Option charge arising from ESOS	-	-	-	-	3,478	-	-	-	-	-	3,478	-	3,478
Exercise of ESOS	-	-	-	-	709	-	-	-	3,303	3,275	7,287	-	7,287
<b>At 31 DECEMBER 2010</b>	<b>1,052,768</b>	<b>117,229</b>	<b>1,207,191</b>	<b>133,258</b>	<b>30,842</b>	<b>64,078</b>	<b>768</b>	<b>(20,103)</b>	<b>4,542,085</b>	<b>(74,896)</b>	<b>7,053,220</b>	<b>2,637,431</b>	<b>9,690,651</b>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2011**

<b>FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2011</b>	<b>Share Capital RM '000</b>	<b>Share Premium RM '000</b>	<b>Other Capital Reserves &amp; General Reserves RM '000</b>	<b>Share Options Reserves RM '000</b>	<b>Retained Profits RM '000</b>	<b>Treasury Shares RM '000</b>	<b>Total Equity RM '000</b>
Opening balance as at 1 July 2011	1,052,768	117,229	254,991	13,557	1,326,919	(55,786)	2,709,678
Net profit for the financial year	-	-	-	-	76,195	-	76,195
Total recognised income/(expense) for the period	-	-	-	-	76,195	-	76,195
Dividend paid	-	-	-	-	(105,277)	-	(105,277)
<b>AT 31 DECEMBER 2011</b>	<b>1,052,768</b>	<b>117,229</b>	<b>254,991</b>	<b>13,557</b>	<b>1,297,837</b>	<b>(55,786)</b>	<b>2,680,596</b>

<b>FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2010</b>	<b>Share Capital RM '000</b>	<b>Share Premium RM '000</b>	<b>Other Capital Reserves &amp; General Reserves RM '000</b>	<b>Share Options Reserves RM '000</b>	<b>Retained Profits RM '000</b>	<b>Treasury Shares RM '000</b>	<b>Total Equity RM '000</b>
Opening balance as at 1 July 2010	1,052,768	117,229	254,991	10,827	513,767	(65,750)	1,883,832
Total recognised income/(expense) for the period	-	-	-	-	84,607	-	84,607
Dividend paid	-	-	-	-	(87,538)	-	(87,538)
Option reserves arising from ESOS	-	-	-	1,365	-	-	1,365
Exercise of ESOS	-	-	-	-	988	3,275	4,263
Transfer of ESOS shares to HLIA	-	-	-	-	2,616	3,415	6,031
<b>AT 31 DECEMBER 2010</b>	<b>1,052,768</b>	<b>117,229</b>	<b>254,991</b>	<b>12,192</b>	<b>514,440</b>	<b>(59,060)</b>	<b>1,892,560</b>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOW**  
**FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2011**

	<b>The Group</b>		<b>The Company</b>	
	<b>31/12/2011</b>	<b>31/12/2010</b>	<b>31/12/2011</b>	<b>31/12/2010</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Profit before taxation and zakat	995,813	1,517,673	119,092	120,309
Adjustment for non-cash items and others	(7,131)	(577,678)	(138,741)	(126,716)
Operating profit before working capital changes	988,682	939,995	(19,649)	(6,407)
Income tax paid	(231,339)	(89,092)	4,975	-
Interest received	30,169	1,814	30,169	1,814
Changes in working capital				
Net changes in operating assets	(12,170,633)	(4,638,309)	(3,954)	(3,707)
Net changes in operating liabilities	9,023,559	3,422,789	(15,882)	331,601
	(2,359,562)	(362,803)	(4,341)	323,301
Net cash flow from investing activities:				
Net purchase of available for sale securities	(2,724,506)	(1,933,480)	-	-
Net disposal/(purchase) of held to maturity securities	1,465,651	(235,946)	-	-
Net purchase of resale agreement	(421,258)	-	-	-
Net purchase on intangibles	(22,802)	(11,903)	(1)	-
Net purchase of property & equipment	(167,424)	(49,873)	(39)	(16)
Dividends received from other investments	92,157	61,047	1,269	1,063
Interest received on available for sale securities	94,596	57,402	-	-
Interest received on held to maturity securities	278,210	228,043	-	-
Proceeds from disposal of general insurance business	-	940,000	-	-
Purchase of securities purchased under resale agreements	-	(184,760)	-	-
Dividends received from subsidiaries	-	-	128,692	107,105
Repayment of bridging loan from subsidiary	-	-	2,300,000	-
Subscription of right issue of subsidiary	-	-	(1,819,244)	-
(Issuance)/Proceeds from redemption of RPS	-	-	(1,469)	59,057
Acquisition of subsidiary	-	-	-	(4,224)
Transfer of treasury shares to subsidiary	-	-	-	6,690
<b>Net cash flow from investing activities</b>	<b>(1,405,376)</b>	<b>(1,129,470)</b>	<b>609,208</b>	<b>169,675</b>
Net cash flow from financing activities				
Dividends paid by the Company to shareholders	(105,277)	(87,538)	(105,277)	(87,538)
Net repayment of debt	(571,502)	(393,956)	(584,484)	(405,102)
<b>Net cash flow from financing activities</b>	<b>(676,779)</b>	<b>(481,494)</b>	<b>(689,761)</b>	<b>(492,640)</b>
<b>Changes in cash and cash equivalents</b>	<b>(4,441,717)</b>	<b>(1,973,767)</b>	<b>(84,894)</b>	<b>336</b>
<b>Effect of change in foreign exchange rate</b>	<b>6,306</b>	<b>(16,929)</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents as at 1 July</b>	<b>32,424,991</b>	<b>17,181,501</b>	<b>114,679</b>	<b>12,041</b>
<b>Cash and cash equivalents as at 31 Dec</b>	<b>27,989,580</b>	<b>15,190,805</b>	<b>29,785</b>	<b>12,377</b>

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG” or “the Company”)  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2011**

**1. Basis of preparation**

The condensed financial statements of the Group have been prepared in accordance with Financial Reporting Standard (“FRS”) 134: Interim Financial Reporting (previously known as MASB 26) issued by the Malaysian Accounting Standard Board (“MASB”), Chapter 9, Part K of the Listing Requirements of the Bursa Malaysia Securities Berhad and revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia (“BNM”) and should be read in conjunction with the Group’s audited annual financial statements for the year ended 30 June 2011.

The accounting policies and presentation adopted by the Group for the interim financial statements are consistent with those adopted in the financial statements for the financial year ended 30 June 2011 except for the first time adoption of the following standards, amendments to published standards and interpretations to existing standards:

FRS 2	Share-based Payment: Group Cash-settled Share-based Payment Transactions
Amendments to FRS 7	Financial Instruments: Disclosures
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 14	FRS 119 - The limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction

The adoption of the above are not expected to have a material impact on the financial statement results of the Group and the Company

**2. Status of matters giving rise to the auditor’s qualified report in the annual financial statement for the financial year ended 30 June 2011 of HLFGB**

There was no qualified report issued by the auditors in the annual financial statements for the financial year ended 30 June 2011.

**3. Seasonality or cyclicity of operations**

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

**4. Exceptional items / unusual events affecting financial statements**

There were no exceptional items or unusual events affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial period.

**5. Variation from financial estimates reported in preceding financial year**

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

## 6. Issuance and repayment of debt and equity securities

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares in HLFG for the financial period ended 31 December 2011 other than as mentioned below.

### Purchase of shares pursuant to ESOS

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

The Company had previously granted 10,200,000 conditional incentive share options to eligible executives of the Company pursuant to the ESOS of HLFG subject to the achievement of certain performance criteria over an option performance period.

During the financial period ended 31 December 2011, no shares were exercised pursuant to the Company's ESOS.

The remaining number of shares held by the appointed trustee for the Company as at 31 December 2011 was 12,270,408 units at an average price of RM4.55 per share and the total consideration paid, including transaction costs was RM55,786,307.

As at 31 December 2011, the insurance subsidiary company held a total of 3,519,992 units of the Company's shares at an average price of RM4.75 per share with total consideration paid, including transaction costs of RM16,730,842 which have been classified as treasury shares held for ESOS at the Group level.

### Issuance and repayment of of debts

The issuance and repayment of debts of HLFG Group are as of that disclosed in Note 9.

## 7. Dividends paid

An interim dividend of 10 sen per share (single tier) (2010: 6.3 sen less income tax of 25% and 3.7 sen combination of tax exempt & single tier) was paid on 28 December 2011.

## 8. Segmental reporting

Segmental information is presented in respect of the Group's business segments. The primary format by business segments is based on the Group's management and internal reporting structure.

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

Inter-segment pricing is determined based on arms length basis. These transactions are eliminated on consolidation. Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. Unallocated item mainly comprise tax recoverable, tax payable and other corporate assets and other corporate liabilities. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used during more than one period.

### **Business segments**

The Group comprises the following main business segments:

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

<b>GROUP</b>	<b>Commercial</b>	<b>Investment</b>				
<b>31 DECEMBER 2011</b>	<b>Banking</b>	<b>Banking</b>	<b>Insurance</b>	<b>Others</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue for the quarter ended</b>						
External sales	1,899,615	70,712	35,790	(42,449)	-	1,963,668
Intersegment sales	7,663	1,018	2,779	4,957	(16,417)	-
	<u>1,907,278</u>	<u>71,730</u>	<u>38,569</u>	<u>(37,492)</u>	<u>(16,417)</u>	<u>1,963,668</u>
<b>Results for the quarter ended</b>						
Segment results	927,707	4,943	(10,223)	(48,739)	-	873,688
Share of results of associated companies						121,994
Share of results of jointly controlled entity						131
Profit before taxation and zakat						<u>995,813</u>
Taxation and zakat						(226,909)
Net profit for the financial year						<u>768,904</u>
Non-controlling interest						(282,602)
Profit attributable to owners of the parents						<u>486,302</u>
<b>Other information</b>						
Segment assets	153,290,706	3,829,050	8,006,462	465,136	(553,652)	165,037,702
Other corporate assets						1,048,477
<b>Total consolidated assets</b>						<u>166,086,179</u>
Segment liabilities	142,948,908	3,233,364	7,194,001	424,626	(1,007,717)	152,793,182
Other corporate liabilities						1,617,858
<b>Total consolidated liabilities</b>						<u>154,411,040</u>

<b>GROUP</b>	<b>Commercial</b>	<b>Investment</b>				<b>Consolidated</b>
<b>31 DECEMBER 2010</b>	<b>Banking</b>	<b>Banking</b>	<b>Insurance</b>	<b>Others</b>	<b>Eliminations</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue for the quarter ended</b>						
External sales	1,137,605	57,193	858,182	20,379	-	2,073,359
Intersegment sales	6,146	2,651	4,096	5,098	(17,991)	-
	<u>1,143,751</u>	<u>59,844</u>	<u>862,278</u>	<u>25,477</u>	<u>(17,991)</u>	<u>2,073,359</u>
<b>Results for the quarter ended</b>						
Segment results	596,307	28,266	825,767	(27,916)	-	1,422,424
Share of results of associated company						95,976
Share of results of jointly controlled entity						(727)
Profit before taxation and zakat						<u>1,517,673</u>
Taxation and zakat						<u>(208,598)</u>
Net profit for the financial year						<u>1,309,075</u>
Non-controlling interest						<u>(196,814)</u>
Profit attributable to owners of the parents						<u><u>1,112,261</u></u>
<b>Other information</b>						
Segment assets	88,161,573	2,283,239	8,870,369	241,380	(438,739)	99,117,822
Other corporate assets						<u>179,049</u>
<b>Total consolidated assets</b>						<u><u>99,296,871</u></u>
Segment liabilities	81,357,562	2,041,145	6,384,365	307,212	(799,220)	89,291,064
Other corporate liabilities						<u>315,156</u>
<b>Total consolidated liabilities</b>						<u><u>89,606,220</u></u>

## 9. Financial assets held for trading

	<b>Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2011</b>	<b>30/06/2011</b>
	<b>RM '000</b>	<b>RM '000</b>
<b><u>At Fair Value</u></b>		
Malaysian Government Treasury Bills	394,008	49,185
Malaysian Government Securities	638,623	118,769
Negotiable instruments of deposit	3,996,002	479,071
Bankers' acceptances and Islamic accepted bills	4,308,088	3,944,863
Bank Negara Malaysia bills	5,501,366	767,821
Malaysian Government Investment Certificates	631,134	388,068
Cagamas bonds	96,596	-
Private debts securities	754,949	232,168
	<u>16,320,766</u>	<u>5,979,945</u>
Quoted securities :		
Shares/Loan stocks/Unit Trust	420,143	486,746
Foreign currency bonds	43,310	383,748
Unquoted securities :		
Private debt securities	476,580	124,285
Total securities held at fair value through profit and loss	<u>17,260,799</u>	<u>6,974,724</u>

	<b>Company</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2011</b>	<b>30/06/2011</b>
	<b>RM '000</b>	<b>RM '000</b>
<b><u>At Fair Value</u></b>		
Unit Trust	23,738	37,814

## 10. Financial investments available-for-sale

	Group	
	As at	As at
	31/12/2011	30/06/2011
	RM '000	RM '000
<b><u>At Fair Value</u></b>		
Government Treasury Bills	450,529	364,156
Bank Negara Malaysia Bills	-	248,165
Malaysian Government Securities	417,809	1,047,502
Malaysian Government Investment Certificates	3,097,229	1,911,745
Negotiable instruments of deposit	-	522,051
Islamic negotiable instrument debt securities	-	28,833
Commercial papers	9,989	-
Cagamas bonds	435,415	141,231
Bankers acceptance	10,300	44,853
Other Government securities	69,812	49,857
	4,491,083	4,358,393
Quoted securities :		
Shares/Loan stocks/Unit Trust	1,375,174	1,253,229
Foreign Currency Bonds	1,959,569	838,280
Private debt securities/shares/reits	-	19,404
Unquoted securities :		
Foreign Currency Bonds	237,393	178,585
Private debt securities/shares/reits	5,419,139	4,097,586
Total securities available-for-sale	13,482,358	10,745,477

## 11. Financial investments held-to-maturity

	Group	
	As at	As at
	31/12/2011	30/06/2011
	RM '000	RM '000
<b><u>At Amortised Cost</u></b>		
Malaysian Government Securities	3,067,463	3,577,908
Malaysian Government Investment Certificates	1,419,217	1,128,464
Negotiable instruments of deposit	875,681	2,677,278
Cagamas bonds	258,546	170,942
Investment in CPRS-JPM	51,000	-
Bankers' acceptances	32,579	-
	5,704,486	7,554,592
Quoted securities :		
Other Government securities	22,980	14,043
Unquoted securities :		
Private debt securities/shares/loan stocks	1,118,837	743,319
	6,846,303	8,311,954
Accumulated impairment losses	(170,620)	(170,620)
Total securities held-to-maturity	6,675,683	8,141,334

## 12. Loans, advances and financing

	Group	
	As at 31/12/2011 RM '000	As at 30/06/2011 RM '000
Overdrafts	4,101,456	4,185,914
Term loans :		
- Housing loans/financing	34,250,417	31,796,741
- Syndicated term loan/financing	4,633,569	4,669,705
- Hire purchase receivables	17,616,333	17,315,908
- Lease receivables	50	4,486
- Other term loans/financing	11,024,724	10,478,950
Credit/charge card receivables	4,337,633	4,262,859
Bills receivables	310,669	354,250
Trust receipts	321,952	302,959
Claims on customers under acceptance credits	6,364,780	6,621,138
Block discounting	6,995	8,391
Revolving credits	3,621,583	3,771,610
Policy and premium loans	682,417	676,745
Staff loans	283,130	305,901
Other loans/financing	181,194	210,477
	<u>87,736,902</u>	<u>84,966,034</u>
Fair value changes arising from fair value hedges	35,725	-
Unamortised fair value changes arising from terminated fair value hedges	12,972	17,177
Allowance for bad and doubtful debts and financing :		
- collective assessment	(1,873,817)	(1,576,741)
- individual assessment	(621,064)	(670,993)
Net loans, advances and financing	<u>85,290,718</u>	<u>82,735,477</u>

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

### (a) By type of customer

	Group	
	As at 31/12/2011 RM '000	As at 30/06/2011 RM '000
Domestic non-bank financial institutions	709,160	718,374
Domestic business enterprises		
- Small and medium enterprises	13,286,508	12,199,078
- Others	15,241,620	15,871,647
Government and statutory bodies	19,401	28,900
Individuals	55,590,808	53,368,646
Other domestic entities	25,405	30,675
Foreign entities	2,864,000	2,748,714
Gross loans, advances and financing	<u>87,736,902</u>	<u>84,966,034</u>

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

	Group	
	As at 31/12/2011 RM '000	As at 30/06/2011 RM '000
Fixed rate		
- Housing loans/financing	3,943,451	3,545,531
- Hire purchase receivables	17,556,620	17,263,403
- Other fixed rate loan/financing	8,578,525	8,501,825
Variable rate		
- Base lending rate plus	45,945,623	43,520,900
- Cost plus	11,335,195	11,634,807
- Other variables rates	377,488	499,568
Gross loans, advances and financing	<u>87,736,902</u>	<u>84,966,034</u>

### (c) By economic purpose

	Group	
	As at 31/12/2011 RM '000	As at 30/06/2011 RM '000
Purchase of securities	1,214,511	1,240,345
Purchase of transport vehicles	17,439,147	17,373,379
Purchase of landed properties		
- residential	29,349,713	27,698,836
- non-residential	9,619,878	9,050,882
Purchase of fixed assets	651,940	-
Personal use	3,875,551	3,572,467
Credit card	4,337,633	4,262,859
Purchase of consumer durables	175	199
Construction	865,269	835,551
Working capital	17,516,808	17,856,415
Mergers and acquisition	381,555	-
Others	2,484,722	3,075,101
Gross loans, advances and financing	<u>87,736,902</u>	<u>84,966,034</u>

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

### (d) Non-performing loans by purpose

	Group	
	As at 31/12/2011 RM '000	As at 30/06/2011 RM '000
Purchase of securities	11,225	9,948
Purchase of transport vehicles	232,312	185,001
Purchase of landed properties		
- residential	427,958	458,242
- non-residential	81,209	79,403
Purchase of fixed assets (excluding landed properties)	21,087	21,067
Personal use	97,659	93,742
Credit card	67,973	58,100
Purchase of consumer durables	17	17
Construction	32,536	31,075
Working capital	737,983	924,549
Others	52,246	31,160
Gross loans, advances and financing	<u>1,762,205</u>	<u>1,892,304</u>

### (e) Movements in non-performing loans, advances and financing ("NPL") are as follows:

	Group	
	As at 31/12/2011 RM '000	As at 30/06/2011 RM '000
At beginning		
- as previously stated	1,892,304	729,423
- effect of adopting FRS 139	-	213,479
As restated	<u>1,892,304</u>	<u>942,902</u>
Non-performing during the period/year	1,045,651	883,759
Arising from harmonisation of provisioning policy	30,797	-
Reclassified as performing	(584,416)	(493,248)
Amount written back in respect of recoveries	(425,208)	(461,787)
Amount written off	(196,502)	(278,682)
Acquisition of assets and liabilities of EON Capital Berhad ("EON")	-	1,294,351
Exchange differences	(421)	5,009
Closing balance	<u>1,762,205</u>	<u>1,892,304</u>
Specific allowance	-	-
Net non-performing loans, advances and financing	<u>1,762,205</u>	<u>1,892,304</u>
Net NPL as a % of gross loans, advances and financing less specific allowance	<u>2.0%</u>	<u>2.2%</u>

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

### (f) Movements in allowance for bad and doubtful debts (and financing) accounts are as follows:

	Group	
	As at 31/12/2011 RM '000	As at 30/06/2011 RM '000
<u>Collective Assessment Allowance</u>		
At beginning		
- as previously reported	1,576,741	-
- effect of adopting FRS 139	-	771,288
As restated	1,576,741	771,288
Net allowance made during the period/year	367,988	390,985
Arising from harmonisation of provisioning policy	141,326	-
Amount written back in respect of recoveries	(141,873)	(101,290)
Amount written off	(113,709)	(217,424)
Amount transfer from individual assessment	47,896	-
Unwinding income	(4,257)	(11,018)
Acquisition of assets and liabilities of ECB	-	742,983
Exchange differences	(295)	1,217
Closing balance	<u>1,873,817</u>	<u>1,576,741</u>
As % of gross loans, advances and financing less loans exempted from individual assessment allowance	<u>2.0%</u>	<u>-</u>
<u>Individual Assessment Allowance</u>		
At beginning		
- as previously stated	670,993	-
- effect of adopting FRS 139	-	234,265
As restated	670,993	234,265
Net allowance made during the period/year	23,908	72,384
Arising from harmonisation of provisioning policy	115,414	-
Amount written back in respect of recoveries	(67,086)	(83,718)
Amount written off	(76,367)	(45,286)
Unwinding income	(2,738)	(14,974)
Acquisition of assets and liabilities of ECB	-	505,525
Pre-acquisition adjustment	(47,896)	-
Exchange differences	4,836	2,797
Closing balance	<u>621,064</u>	<u>670,993</u>

### 13. Other receivables

	Group	
	As at 31/12/2011 RM '000	As at 30/06/2011 RM '000
Investment properties	1,680	1,680
Other debtors, deposits and prepayments	1,902,873	1,137,974
Foreclosed properties	1,323	1,458
	<u>1,905,876</u>	<u>1,141,112</u>

  

	Company	
	As at 31/12/2011 RM '000	As at 30/06/2011 RM '000
Amount due from subsidiary companies	59,350	2,357,479
Amount due from related companies	4	3
Other debtors, deposits and prepayments	836	2,551
	<u>60,190</u>	<u>2,360,033</u>

### 14. Deposits from customers

	Group	
	As at 31/12/2011 RM '000	As at 30/06/2011 RM '000
Fixed deposits	72,709,542	68,788,096
Negotiable instruments of deposit	6,061,033	5,584,465
Demand deposits	15,615,939	14,893,230
Savings deposits	12,870,303	12,515,496
Short term corporate placement	11,614,140	12,561,243
Others	437,960	406,448
	<u>119,308,917</u>	<u>114,748,978</u>

#### The maturity structure of fixed deposits and negotiable instruments :

	Group	
	As at 31/12/2011 RM '000	As at 30/06/2011 RM '000
One year or less (short term)	71,905,335	70,150,424
More than one year (medium/long term)	6,865,240	4,222,137
	<u>78,770,575</u>	<u>74,372,561</u>

#### The deposits from customer are sourced from the following types of customers:

	Group	
	As at 31/12/2011 RM '000	As at 30/06/2011 RM '000
Government and statutory bodies	5,511,328	5,777,465
Business enterprises	55,313,672	49,354,634
Individuals	56,645,375	51,479,665
Others	1,838,542	8,137,214
	<u>119,308,917</u>	<u>114,748,978</u>

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

	Group	
	As at	As at
	31/12/2011	30/06/2011
	RM '000	RM '000
Licensed banks and investment banks	10,006,597	7,673,057
Bank Negara Malaysia	930,475	581,968
Licensed Islamic Bank	1,440,268	1,897,375
Other financial institutions	893,498	1,293,260
	<u>13,270,838</u>	<u>11,445,660</u>
<b>The maturity structure :</b>		
One year or less (short term)	13,270,838	11,445,660
	<u>13,270,838</u>	<u>11,445,660</u>

## 16. Payables and other liabilities

	Group	
	As at	As at
	31/12/2011	30/06/2011
	RM '000	RM '000
Trade payables	716,289	672,751
Amount due to related companies	9,184	1,327
Other payables and accrued liabilities	2,462,903	1,984,359
Loan advance payment	1,184,703	1,122,560
Post employment benefits obligations - defined contribution plan	4,722	4,779
	<u>4,377,801</u>	<u>3,785,776</u>
	Company	
	As at	As at
	31/12/2011	30/06/2011
	RM '000	RM '000
Amount due to subsidiary companies	1	443
Other payables and accrued liabilities	7,828	5,525
Post employment benefits obligations - defined contribution plan	7	17
	<u>7,836</u>	<u>5,985</u>

## 17. Interest income

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2011 RM '000	quarter ended 31/12/2010 RM '000	to date 31/12/2011 RM '000	to date 31/12/2010 RM '000
Loan, advances and financing				
- Interest income other than recoveries from NPLs	991,972	452,275	1,987,430	894,827
Money at call and deposit placements with financial institutions	132,170	114,117	287,404	228,777
Securities purchased under resale agreements	598	1,086	939	1,339
Financial assets held for trading	39,196	25,284	63,033	51,176
Financial investments available-for-sale	57,345	27,588	94,596	57,402
Financial investments held-to-maturity	142,889	119,884	278,210	228,043
Others	4,566	10,682	30,243	16,003
	<u>1,368,736</u>	<u>750,916</u>	<u>2,741,855</u>	<u>1,477,567</u>
Amortisation of premium less accretion of discount	(1,213)	100	(2,000)	344
Interest suspended	-	-	-	-
	<u>1,367,523</u>	<u>751,016</u>	<u>2,739,855</u>	<u>1,477,911</u>

	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2011 RM '000	quarter ended 31/12/2010 RM '000	to date 31/12/2011 RM '000	to date 31/12/2010 RM '000
Money at call and deposit placements with financial institutions	367	154	515	410
Others	4,255	366	29,654	1,404
	<u>4,622</u>	<u>520</u>	<u>30,169</u>	<u>1,814</u>

## 18. Interest expense

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2011 RM '000	quarter ended 31/12/2010 RM '000	to date 31/12/2011 RM '000	to date 31/12/2010 RM '000
Deposits and placements of banks and other financial institutions	30,404	19,399	54,071	35,492
Deposits from customers	522,522	271,495	1,049,249	507,895
Borrowings	43,243	3,059	89,620	10,127
Subordinated bonds	35,366	8,947	88,247	17,665
Short term corporate placements	62,339	66,660	122,014	145,850
Others	9,812	953	19,764	1,629
	<u>703,686</u>	<u>370,513</u>	<u>1,422,965</u>	<u>718,658</u>
	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2011 RM '000	quarter ended 31/12/2010 RM '000	to date 31/12/2011 RM '000	to date 31/12/2010 RM '000
Borrowings	17,651	4,185	38,431	10,821
Others	1	436	2	613
	<u>17,652</u>	<u>4,621</u>	<u>38,433</u>	<u>11,434</u>

## 19. Non Interest Income

	Group		Group	
	Current quarter ended 31/12/2011 RM '000	Last year quarter ended 31/12/2010 RM '000	Current year to date 31/12/2011 RM '000	Last year to date 31/12/2010 RM '000
Net income from Insurance Business	16,119	9,381	27,732	211,184
Net brokerage and commissions from Stockbroking Business	14,655	22,408	30,308	36,917
Net unit trust and asset management income	4,303	6,365	7,772	10,944
Fee income:				
Management fees	-	9,226	-	11,009
Commissions	29,396	17,145	56,397	34,427
Service charges and fees	22,038	4,939	34,213	9,210
Guarantee fees	4,627	1,684	9,843	3,079
Other fee income	94,294	76,676	192,880	135,963
	150,355	109,670	293,333	193,688
Gain/(loss) arising from sale of securities:				
Net gain from financial assets held for trading and derivatives	(18,074)	4,801	(12,632)	7,364
Net gain from sale of financial investments available-for-sale	12,678	9,304	21,370	17,902
Net gain/(loss) from unwinding of derivatives	(9,079)	243	(14,784)	243
	(14,475)	14,348	(6,046)	25,509
Gross dividend income from:				
Financial assets held for trading	42,755	28,088	77,815	55,384
Financial investments available-for-sale	7,926	2,283	11,308	7,460
Financial investments held-to-maturity	1,748	31	3,034	91
	52,429	30,402	92,157	62,935
Net unrealised gains/(losses) on revaluation of financial assets held for trading and derivatives	(18,887)	18,465	(110,332)	6,417
Net realised gains/(losses) on fair value changes arising from fair value hedge	(6,314)	(15,051)	(11,001)	(19,953)
Net unrealised gains/(losses) on fair value changes arising from fair value hedges	(1,973)	18,378	(4,306)	13,761
Other income:				
Foreign exchange gain/(loss)	36,065	23,435	96,611	38,392
Rental income	631	356	1,560	767
Gain/(loss) on disposal of property and equipment	505	(230)	681	(559)
Gain/(loss) on liquidation	-	132	-	132
Others	32,589	632,864	18,116	637,760
	69,790	656,557	116,968	676,492
Total non interest income	266,002	870,923	436,585	1,217,894

## 19. Non Interest Income (continued)

	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	RM '000	RM '000	RM '000	RM '000
Fee income:				
Management fees	2,142	1,911	3,989	3,694
Gain/(loss) arising from sale of securities:				
Net gain from sale of financial asset held for trading and derivatives	125	26	122	(95)
Net gain/(loss) from unwinding of derivatives	(9,079)	-	(14,784)	-
Gross dividend income from:				
Financial assets held for trading	1,123	302	1,268	1,063
Subsidiary companies	171,590	142,807	171,590	142,807
Unrealised gain/(loss) on revaluation of financial assets held for trading and derivatives	8,913	3,730	(20,114)	(2,524)
Other income:				
Others	1,467	729	(4,703)	6,338
Total non interest income	<u>176,281</u>	<u>149,505</u>	<u>137,368</u>	<u>151,283</u>

## 20. Overhead expenses

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	RM '000	RM '000	RM '000	RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	243,424	135,091	504,143	265,348
- Voluntary separation scheme (VSS)*	114,689	-	114,689	-
- Others	35,591	16,428	54,174	27,429
<u>Establishment costs</u>				
- Depreciation of property and equipments	22,992	14,162	52,544	28,637
- Amortisation of intangible assets	12,450	4,514	17,766	9,401
- Rental	19,712	13,296	39,320	26,832
- Information technology expenses	24,029	18,846	46,746	29,976
- Others	24,037	13,808	44,721	28,003
<u>Marketing expenses</u>				
- Advertisement and publicity	3,943	4,836	5,655	11,617
- Others	23,705	16,778	51,027	34,293
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,397	2,324	8,453	3,515
- Stationery & printing	5,278	3,071	10,439	5,631
- Others	89,047	63,151	133,491	97,472
	<u>622,294</u>	<u>306,305</u>	<u>1,083,168</u>	<u>568,154</u>

\* Hong Leong Bank has implemented a Voluntary Separation Scheme (VSS). This scheme was being introduced as part of the Bank's effort to enhance productivity and efficiency within the organization, as well as an opportunity and option for staff who have expressed their desire for a change such as starting up own business, further studies, early retirement, change of work environment and pursue personal interest.

## 20. Overhead expenses (continued)

	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	RM '000	RM '000	RM '000	RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	3,218	2,276	6,244	4,551
- Others	123	773	237	1,565
<u>Establishment costs</u>				
- Depreciation of property and equipments	191	182	382	364
- Amortisation of intangible assets	2	32	4	63
- Rental	172	146	346	339
- Others	53	59	89	114
<u>Administration and general expenses</u>				
- Teletransmission expenses	8	9	18	17
- Stationery & printing	18	19	28	32
- Others	1,669	13,496	2,664	14,309
	<u>5,454</u>	<u>16,992</u>	<u>10,012</u>	<u>21,354</u>

## 21. Allowance for losses on loans, advances and financing and other losses

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	RM '000	RM '000	RM '000	RM '000
Allowance for losses on loans, advances and financing:				
(a) Collective assessment allowance				
- made during the financial year	117,988	53,618	226,115	113,953
(b) Individual assessment allowance				
- made during the financial year	(34,083)	6,482	(43,178)	8,297
Allowance for losses on clients' and brokers' balances				
(a) Specific allowance				
- made during the financial year	-	202	-	(6)
(b) General allowance				
- made during the financial year	-	(368)	-	(173)
(c) Individual assessment allowance				
- written back	(2,551)	232	(3,270)	(217)
Bad debts and financing written off	2,030	2,318	4,149	4,384
Bad debts and financing recovered	(88,736)	(23,159)	(166,693)	(46,615)
	<u>(5,352)</u>	<u>39,325</u>	<u>17,123</u>	<u>79,623</u>

## 22. Capital adequacy

BNM guidelines require the Banking subsidiaries to maintain a certain minimum level of capital funds against the "risk-weighted" value of the assets and certain commitments and contingencies. The capital funds of the Banking subsidiaries as at 30 June 2011 and 30 June 2010 met the minimum requirement.

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	As at	As at	As at	As at	As at	As at
	31/12/2011	30/06/2011	31/12/2011	30/06/2011	31/12/2011	30/06/2011
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>Components of Tier - 1 and Tier - 2 Capital</b>						
<b>Tier -1 capital</b>						
Paid up share capital	1,879,909	1,580,107	1,879,909	1,580,107	265,535	265,535
Share premium	2,832,651	539,664	2,832,651	539,664	-	-
Retained profit	4,419,601	3,983,356	3,516,352	3,212,562	8,884	25,192
Other Reserves	2,093,283	1,931,653	1,927,607	1,798,885	28,222	28,222
Non-innovative Tier-1 stapled securities	1,395,703	1,394,665	1,395,703	1,394,665	-	-
Innovative Tier-1 capital securities	489,848	490,273	488,282	-	-	-
Less : Treasury Shares	(732,686)	(671,744)	(732,686)	(671,744)	-	-
Less : Goodwill	(1,360,174)	(1,360,174)	(1,050,759)	-	(30,236)	(30,236)
Less : Deferred Tax	(313,245)	(325,935)	(245,310)	(102,281)	(41,716)	(41,716)
Add : Minority interest	-	-	-	-	-	-
<b>Total tier 1 capital</b>	<b>10,704,890</b>	<b>7,561,865</b>	<b>10,011,749</b>	<b>7,751,858</b>	<b>230,689</b>	<b>246,997</b>
<b>Tier - 2 capital</b>						
General provision	-	-	-	-	-	-
Collective assessment allowance	1,388,575	1,298,856	1,193,106	587,106	1,982	1,574
Subordinated obligations	2,836,934	2,833,327	2,836,211	1,693,352	-	-
Redeemable preference shares	-	-	-	-	1,631	1,631
Capital cumulative subordinated loan	-	2,300,000	-	2,300,000	-	-
<b>Total tier 2 capital</b>	<b>4,225,509</b>	<b>6,432,183</b>	<b>4,029,317</b>	<b>4,580,458</b>	<b>3,613</b>	<b>3,205</b>
<b>Total eligible tier-2 capital</b>	<b>4,225,509</b>	<b>6,432,183</b>	<b>4,029,317</b>	<b>4,580,458</b>	<b>3,613</b>	<b>3,205</b>
<b>Total capital</b>	<b>14,930,399</b>	<b>13,994,048</b>	<b>14,041,066</b>	<b>12,332,316</b>	<b>234,302</b>	<b>250,202</b>
Less : Investment in associated company	(1,420,084)	(1,325,707)	(946,505)	(946,505)	-	-
Less : Investment in subsidiary companies	-	-	(2,325,544)	(6,088,873)	(588)	(588)
Less : Investment in jointly controlled entity	(75,383)	(75,252)	(76,711)	(76,711)	-	-
<b>Total capital base</b>	<b>13,434,932</b>	<b>12,593,089</b>	<b>10,692,306</b>	<b>5,220,227</b>	<b>233,714</b>	<b>249,614</b>
<b>Before deducting proposed dividends</b>						
Core Capital Ratio	11.64%	8.43%	12.17% *	11.56% *	20.48%	38.20%
Risk-weighted Capital Ratio	14.61%	14.05%	13.00% *	11.56% *	20.75%	38.60%
<b>After deducting proposed dividends</b>						
Core Capital Ratio	11.48%	8.25%	12.17% *	12.00% *	20.48%	35.66%
Risk-weighted Capital Ratio	14.45%	13.86%	13.00% *	12.83% *	20.75%	36.06%

## 22. Capital adequacy (continued)

\* As stipulated under Bank Negara Malaysia ("BNM") Guidelines, the Bank's Core Capital Ratio is equal to the Risk-weighted Capital Ratio as the deduction from Total Capital is more than Eligible Tier 2 Capital.

a) The capital adequacy ratios of the HLB Group subsidiary companies are as follows:

	<b>Hong Leong Islamic Bank Berhad (1)</b>	<b>MIMB Investment Bank Berhad (2)</b>
<b>As at 31 December 2011</b>		
<u>Before deducting proposed dividends:</u>		
Core capital ratio	7.27%	85.42%
Risk-weighted capital ratio	<u>11.34%</u>	<u>85.92%</u>
<u>After deducting proposed dividends:</u>		
Core capital ratio	7.27%	85.42%
Risk-weighted capital ratio	<u>11.34%</u>	<u>85.92%</u>
<b>As at 30 June 2011</b>		
<u>Before deducting proposed dividends:</u>		
Core capital ratio	16.06%	62.20%
Risk-weighted capital ratio	<u>17.65%</u>	<u>62.79%</u>
<u>After deducting proposed dividends:</u>		
Core capital ratio	15.41%	62.20%
Risk-weighted capital ratio	<u>16.99%</u>	<u>62.79%</u>

- 1 The capital adequacy ratios of Hong Leong Islamic Bank Berhad are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB), which are based on the Basel II capital accord. Hong Leong Islamic Bank Berhad has adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk computation.
- 2 The capital adequacy ratios of MIMB are computed in accordance with BNM's revised RWCAF– Basel II. MIMB has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk computation.

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

There are no materials event subsequent to the end of the financial period ended 31 December 2011.

### **24. Changes in 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 1 July 2011, HLB had announced that the whole of the business including all assets and liabilities of EON Bank Berhad (“EBB”) have been vested to HLB effective 1 July 2011 (“Vesting”).

Following the Vesting, EBB has surrendered its banking licence to Bank Negara Malaysia (“BNM”) on 1 July 2011 and has ceased operations.

On 1 July 2011, all of the direct subsidiaries of EBB including EIBB and MIMB Investment Bank Berhad (“MIMB”) became direct subsidiaries of HLB.

- (b) Pursuant to an internal reorganisation exercise, HLB had, on 1 July 2011, entered into a share sale agreement (“SSA”) with HLB Principal Investments (L) Limited (“HLBPIL”), a wholly-owned subsidiary of HLB, for the transfer by HLB of its entire equity interest in EBB to HLBPIL (“Transfer”).

The SSA was completed on 1 July 2011 immediately following the vesting of business from EBB to HLB and the surrender of EBB’s banking licence to BNM.

Upon completion of the internal reorganisation exercise, EBB became a wholly-owned subsidiary of HLBPIL, which is in turn a wholly-owned subsidiary of HLB.

## 25. Commitments and contingencies

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

The commitments and contingencies constitute the following:

	<b>Group</b>	
	<b>Principal Amount 31/12/2011 RM'000</b>	<b>Principal Amount 30/06/2011 RM'000</b>
Direct credit substitutes	548,385	559,290
Transaction-related contingent items	1,395,550	1,394,682
Short-term self liquidating trade-related contingencies	700,238	616,404
Underwriting obligation	82,761	92,238
Irrevocable commitments to extend credit:		
-maturity more than 1 year	4,753,028	12,488,631
-maturity less than 1 year	26,118,772	17,617,166
Any commitments that are unconditionally cancellable at any time by the bank without prior notice	343,934	302,249
Foreign exchange related contracts	36,792,782	38,485,280
Interest rate related contracts	62,980,326	61,124,760
Equity related contracts	119,300	225,221
Unutilised credit card lines	9,037,848	9,296,768
<b>Total</b>	<b><u>142,872,924</u></b>	<b><u>142,202,689</u></b>

- b. Hong Leong Asset Management Bhd ("HLAM"), a wholly-owned subsidiary company of the stockbroking division, Hong Leong Capital Berhad ("HLCB"), is the Manager of Hong Leong Sectoral Funds ("Funds"), which comprises five sector funds. HLCB has provided a guarantee to Universal Trustee (Malaysia) Berhad, the trustee of the Funds, that if any of the five sector funds fall below the minimum fund size of RM1 million, HLCB would invest cash, equivalent to the shortfall, into the relevant fund.

The size of each of the five funds was above the minimum of RM1 million as at 31 December 2011.

## 26. Related party transactions

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

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

**1 Review of performance**

**Current quarter against preceding year's corresponding quarter**

HLFG Group achieved a profit before tax of RM482.1 million for the current quarter ended 31 December 2011 as compared to RM1,010.4 million in the previous corresponding quarter. Stripping away the one-off gain on the transfer of HLA General business to MSIG of RM619.0 million in the preceding year's corresponding quarter, the Group recorded an increase in profit before tax by RM90.8 million (+23.2%). This is mainly due to contribution from the enlarged Hong Leong Bank entity arising from the acquisition of assets and liabilities of EON Capital Group (“ECB”).

The Hong Leong Bank Group recorded a higher profit before tax of RM483.1 million for the current financial quarter ended 31 December 2011, an increase of RM123.5 million or 34.3% as compared to previous corresponding quarter. Overall the increase was due to contribution from the enlarge entity arising from the acquisition of assets and liabilities of ECB. The increase in contribution is however mitigated by the merger expenses which includes a provision for one time VSS expenses to employees of RM114.7 million for the quarter.

The Hong Leong Capital Group recorded a profit before tax of RM11.6 million for the current quarter ended 31 December 2011 as compared to RM19.4 million in the previous year's corresponding quarter. This is mainly due to the decrease in fees income coupled with increase personnel expenses for the quarter.

The HLA Holdings Group recorded a profit before tax of RM2.0 million for the current quarter ended 31 December 2011 as compared to RM650.7 million in the previous year's corresponding quarter. This is mainly due to a gain on the transfer of HLA General business to MSIG of RM619.0 million in the previous year's corresponding quarter. Stripping off this one-off gain, the decrease in current quarter profit is mainly due to one-off expenses of RM24.0 million relating to the MSIG deal in the current quarter. This is also coupled with the lower contribution from 30% associated stake in MSIM of RM8.4 million for the current quarter as compared to RM14.1 million in the previous corresponding quarter.

**2 Financial year-to-date against preceding financial year-to-date**

HLFG Group achieved a profit before tax of RM995.8 million for the period ended 31 December 2011 as compared to RM1,517.7 million in the previous corresponding period. Stripping away the one-off life insurance surplus transfer of RM175 million as well as a gain on the transfer of HLA General business to MSIG of RM619.0 million in the preceding year's corresponding period, the Group recorded an increase in profit before tax by RM272.1 million (+37.6%). This is mainly due to contribution from the enlarged Hong Leong Bank entity arising from the acquisition of assets and liabilities of EON Capital Group (“ECB”).

Hong Leong Bank Group (“HLB”) recorded a profit before tax of RM1,007.0 million for the period ended 31 December 2011 against RM677.1 million in the previous corresponding period, an increase of RM329.9 million or +48.7%. The higher contribution this period is mainly due to the added results of the acquired ECB business coupled with higher share of profits from our 20% equity stake in Bank of Chengdu Co., Ltd (“BOCD”). The share of profit from BOCD was RM96.8 million for the period ended 31 December 2011, 18.7% higher as compared to the previous corresponding period of RM81.5 million.

Hong Leong Capital Group recorded a profit before tax of RM22.5 million for the current period ended 31 December 2011 as compared to RM28.3 million in the previous period. The decrease in profit is mainly due to lower management fee income as well as higher overhead expenses incurred. The lower Bursa trading volume by 30% as compared to previous year's corresponding quarter has resulted in a lower brokerage income.

## **2 Financial year-to-date against preceding financial year-to-date (continued)**

HLA Holdings Group registered a profit before tax of RM15.0 million for the period ended 31 December 2011 as compared to RM46.3 million 'normalised profit' (net of the one-off Life surplus transfer of RM175.0 million as well as a gain on the transfer of HLA General business to MSIG of RM619.0 million) in the previous period. The decrease in profit in the current period is mainly due to one-off expenses of RM24.0 million relating to the MSIG deal and also realised and unrealised mark-to-market losses on investments in HLIA of RM3.4 million. Our share of MSIG Malaysia profits amounted to RM25.2 million for the period ended 31 December 2011 as compared to RM14.4 million (3 months from October to December) in the previous corresponding period.

## **3 Current quarter against preceding financial quarter**

HLFG Group achieved a profit before tax of RM482.1 million for the current quarter ended 31 December 2011 as compared to RM513.7 million in the preceeding quarter. The lower profit for the current quarter is mainly attributable to lower contribution from the banking and insurance subsidiaries of the Group.

The Hong Leong Bank Group recorded a lower profit before tax of RM483.1 million for the current financial quarter ended 31 December 2011 as compared to RM523.8 million in the preceeding quarter, an decrease of RM40.7 million or 7.8% as compared to previous corresponding quarter. The lower profit is mainly attributable to one time provision for VSS expenses to employee of RM114.7 million for the current quarter.

The Hong Leong Capital Group recorded a profit before tax of RM11.6 million for the current quarter ended 31 December 2011 as compared to RM10.9 million in the preceding quarter. This is mainly due to the higher revenue income earned by the investment banking division slightly offsetted with the higher overhead expenses.

The HLA Holdings Group recorded a profit before tax of RM2.0 million for the current quarter ended 31 December 2011 as compared to RM13.0 million in the preceeding quarter. The decrease in current quarter profit is mainly due to one-off expenses of RM24.0 million relating to the MSIG deal in the current period.

## **4 Prospects for the next financial year**

Barring unforeseen circumstances and a severe economic downturn, the Group is expected to perform satisfactorily for the current financial year.

## **5 Variance of actual profit from forecasted profit**

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

## 6 Taxation

Provision based on profits for the financial period 31 December 2011

	Group		Group	
	Current quarter ended 31/12/2011	Last year quarter ended 31/12/2010	Current year to date 31/12/2011	Last year to date 31/12/2010
	RM '000	RM '000	RM '000	RM '000
Tax expense				
Malaysian – current	(95,022)	(108,366)	(216,834)	(208,569)
Overseas – current	-	-	-	-
Transfer (from) / to deferred tax	(11,372)	(5,372)	(10,034)	2
	<u>(106,394)</u>	<u>(113,738)</u>	<u>(226,868)</u>	<u>(208,567)</u>
Prior year over/(under) provision				
- Malaysian	-	-	-	-
	<u>(106,394)</u>	<u>(113,738)</u>	<u>(226,868)</u>	<u>(208,567)</u>

The effective tax rate for the Group for the financial period based on our tax estimates is lower than the statutory rate of taxation as certain income was not subjected to tax.

	Company		Company	
	Current quarter ended 31/12/2011	31/12/2010	Current year ended 31/12/2011	31/12/2010
	RM '000	RM '000	RM '000	RM '000
Tax expenses				
Malaysian – current	(42,897)	(35,702)	(42,897)	(35,702)
Transfer (from) / to deferred tax	-	-	-	-
	<u>(42,897)</u>	<u>(35,702)</u>	<u>(42,897)</u>	<u>(35,702)</u>
Prior year over/(under) provision				
- Malaysian	-	-	-	-
	<u>(42,897)</u>	<u>(35,702)</u>	<u>(42,897)</u>	<u>(35,702)</u>

## 7 Sale of properties/unquoted investments

There was no sale of properties and / or unquoted investments during the period under review.

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

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

## 9 Status of corporate proposals

There were no corporate proposals announced but not completed as at the latest practicable date which was not earlier than 7 days from the issue of this report.

## 10 Group borrowings

The Group borrowings include:

	As at 31/12/2011 RM '000	As at 30/06/2011 RM '000
Bank loans	518,110	1,535,859
Capital market borrowing	1,119,812	678,381
Subordinated obligations	2,885,056	2,837,943
Senior Bonds	956,303	910,810
Non-innovative Tier 1 stapled securities	1,406,163	1,405,706
Innovative Tier 1 capital securities	610,097	503,069
	<u>7,495,541</u>	<u>7,871,768</u>

### Bank loans

The Company unsecured short term loan facility of RM1.2 billion has been fully repaid on 5 December 2011.

### Capital market borrowings

The Company has informed the facility agent of its intention to retire its 7 years RM800 million CP/MTNs programme on 15 December 2011.

SC has on 2 August 2011 approved the Company's master debt issuance programme of up to RM1,800 million in nominal value (the "Master Debt Programme").

The Master Debt Programme comprises the following:

- (i) a commercial papers ("CPs") programme of up to RM1,800 million in nominal value (the "CP Programme"); and
- (ii) a medium term notes ("MTNs") programme of up to RM1,800 million in nominal value (the "MTN Programme").

The aggregate outstanding balance of the CPs and MTNs shall not exceed RM1,800 million. The CP Programme shall have a tenure of seven (7) years from the date of first issuance of the CPs. The MTN Programme shall have a tenure of twenty (20) years from the date of first issuance of the MTNs.

At at 31 December 2011, the Company has issued RM570 million of CPs and RM550 million MTNs.

### Subordinated bonds

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.

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

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

On 3 August 2010, HLB had fully redeemed its US\$200 million Subordinated Callable Bonds Due 2015 ("Bonds"). The Bonds has been delisted from the Official Listing of the Singapore Exchange Securities Trading Limited following the redemption.

On 27 February 2009, EBB, a wholly-owned subsidiary of HLB, has successfully issued the first tranche of RM410.0 million nominal value of the 10 non-callable 5 years Subordinated Medium Term Notes ("MTN") callable on 27 February 2014 (and thereafter) and due on 27 February 2019 under the RM2.0 billion Subordinated MTN Programme.

## 10 Group borrowings (continued)

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 EBB 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, EBB 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 EBB 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, EBB 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 EBB 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.

The above tranches of Subordinated MTNs constitute unsecured liabilities of EBB 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 II capital for the purpose of determining the capital adequacy ratio of HLB Group.

### Senior Bonds

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

### Non-innovative Tier 1 stapled securities

On 5 May 2011, HLB had completed its issuance of Non-Innovative Tier 1 Stapled Securities ("NIT-1 Stapled Securities") of RM1.4 billion.

NIT-1 Stapled Securities, which is perpetual NIT nature and callable at the end of year 5 and on each coupon payment date subject to approval of BNM, pays a semi annual coupon of 5.05% per annum.

### Innovative Tier 1 capital securities

On 10 September 2009, EBB 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 EBB 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 HLB Group and HLB.

## 11 Off-Balance Sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 December 2011

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	21,425,034	191,962	(78,474)
(ii) 1 year to 3 years	3,168	44	-
- Swaps			
(i) Less than 1 year	10,022,482	209,049	(137,719)
(ii) 1 year to 3 years	1,139,838	17,350	(15,652)
(iii) More than 3 years	526,581	25,358	(34,293)
- Options			
(i) Less than 1 year	3,068,585	16,171	(15,274)
(ii) 1 year to 3 years	100,614	2,332	(2,332)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	1,828,465	6,853	(10,001)
(ii) 1 year to 3 years	2,699,336	675	(5,469)
(iii) More than 3 years	395,040	70	(448)
- Swaps			
(i) Less than 1 year	10,488,615	24,813	(67,787)
(ii) 1 year to 3 years	20,383,603	144,117	(180,794)
(iii) More than 3 years	27,303,297	427,174	(487,453)
Equity related contracts			
(i) Less than 1 year	102,700	592	(636)
(ii) 1 year to 3 years	6,600	-	-
(iii) More than 3 years	10,000	3,000	-
<b>Total</b>	<b>99,503,958</b>	<b>1,069,560</b>	<b>(1,036,332)</b>

### Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial year, the amount of contracts which were not hedged and hence, exposed to foreign exchange and interest rate market risk were RM474,605,206 (FYE June 2011: RM607,463,001) and RM56,496,778,923 (FYE June 2011: RM50,272,681,745) respectively.

### 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 RM1,054,288,726 (FYE June 2011: RM760,163,989). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

### Related accounting policies

The accounting policies applied for recognising the financial instruments concerned are the same as those applied for the audited annual financial statements.

## 12 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.

## 13 HLFG Dividends

The Director do not recommend the payment of any interim dividend for the current quarter.

For the financial period ended 31 December 2011, a single tier dividend of 10 sen per share was declared (2010 : 10 sen per share (6.3 sen less income tax of 25% and 3.7 sen combination of tax exempt & single tier)) and paid on 28 December 2011.

## 14 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 in issue during the financial year.

	Group		Group	
	Current quarter ended 31/12/2011 RM '000	Last year quarter ended 31/12/2010 RM '000	Current year to date 31/12/2011 RM '000	Last year to date 31/12/2010 RM '000
Weighted Average Number Of Ordinary Shares				
Weighted average number of ordinary shares	1,036,978	1,035,538	1,036,978	1,035,538
Net profit attributable to shareholders of the company	234,100	787,007	486,302	1,112,261
Basic earnings per share (Sen)	22.6	76.0	46.9	107.4

## 14 Earnings per share (Continued)

Weighted Average Number Of Ordinary Shares	Company		Company	
	Current quarter ended 31/12/2011 RM '000	Last year quarter ended 31/12/2010 RM '000	Current year to date 31/12/2011 RM '000	Last year to date 31/12/2010 RM '000
Weighted average number of ordinary shares	1,040,498	1,038,307	1,040,498	1,038,307
Net profit attributable to shareholders of the company	114,900	92,710	76,195	84,607
<b>Basic earnings per share (Sen)</b>	<b>11.0</b>	<b>8.9</b>	<b>7.3</b>	<b>8.1</b>

### (b) Fully diluted 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 (diluted) during the financial year.

Fully Diluted Weighted Average Number Of Ordinary Shares	Group		Group	
	Current quarter ended 31/12/2011 RM '000	Last year quarter ended 31/12/2010 RM '000	Current year to date 31/12/2011 RM '000	Last year to date 31/12/2010 RM '000
Weighted average number of ordinary shares				
- during the period	1,036,978	1,035,538	1,036,978	1,035,538
- adjustment for ESOS	4,844	3,211	4,844	3,211
Net profit attributable to shareholders of the company	234,100	787,007	486,302	1,112,261
<b>Fully diluted earnings per share (Sen)</b>	<b>22.5</b>	<b>75.8</b>	<b>46.7</b>	<b>107.1</b>

Fully Diluted Weighted Average Number Of Ordinary Shares	Company		Company	
	Current quarter ended 31/12/2011 RM '000	Last year quarter ended 31/12/2010 RM '000	Current year to date 31/12/2011 RM '000	Last year to date 31/12/2010 RM '000
Weighted average number of ordinary shares				
- during the period	1,040,498	1,038,307	1,040,498	1,038,307
- adjustment for ESOS	4,383	3,905	4,383	3,905
Net profit attributable to shareholders of the company	114,900	92,710	76,195	84,607
<b>Fully diluted earnings per share (Sen)</b>	<b>11.0</b>	<b>8.9</b>	<b>7.3</b>	<b>8.1</b>

## 15 Realised and unrealised profit

On 25 March 2010, Bursa Malaysia issued a directive that requires all listed issuer to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period into realised and unrealised profits or losses.

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

The unrealised retained profits of the Group as disclosed below excludes translation gains and losses on monetary items denominated in a currency other than the functional currency and foreign exchange contracts, as these translation gains and losses are incurred in the ordinary course of business of the Group and are deemed realised.

The breakdown of the retained profits of the Group are as follows:

	<b>Group As at 31/12/2011 RM '000</b>	<b>Group As at 30/6/2011 RM '000</b>
Total retained profits of the Group and its subsidiaries		
- Realised	4,729,338	4,767,949
- Unrealised	1,459,598	1,051,802
Total share of retained profits from associated companies		
- Realised	597,483	474,627
- Unrealised	-	-
Total share of retained profits from jointly controlled entity		
- Realised	(1,328)	(1,459)
- Unrealised	-	-
	<hr/>	<hr/>
	6,785,091	6,292,919
Less : Consolidated adjustment	(1,595,970)	(1,383,216)
Total Group retained profits as per consolidated accounts	<hr/> <hr/>	<hr/> <hr/>
	5,189,121	4,909,703

Dated this 27 February 2012