

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF**  
**FINANCIAL POSITION AS AT 30 JUNE 2013**

	As at 30/06/2013 RM '000	Restated As at 30/06/2012 RM '000	Restated As at 01/07/2011 RM '000
<b>THE GROUP</b>			
<b>Assets</b>			
Cash and short term funds	19,797,580	21,121,039	32,011,433
Deposits and placements with financial institutions	7,154,848	4,534,620	5,213,395
Securities purchased under resale agreements	1,299,641	590,521	159,770
Financial assets held-for-trading	16,804,320	23,340,140	7,147,980
Financial investments available-for-sale	22,311,708	15,350,975	10,685,916
Financial investments held-to-maturity	4,816,670	4,365,441	8,047,628
Derivative financial instruments	906,483	980,880	798,164
Loans, advances and financing	96,274,952	89,512,955	82,494,902
Clients' and brokers' balances	256,474	269,260	236,386
Other receivables	1,005,249	661,930	1,157,284
Statutory deposits with Central Banks	3,457,409	3,350,987	2,220,366
Tax recoverable	19,972	18,330	9,752
Investment in associated companies	2,456,598	2,209,079	1,964,951
Investment in jointly controlled entity	79,945	76,871	75,252
Property and equipment	1,039,745	1,037,885	1,010,913
Goodwill arising on consolidation	2,410,644	2,410,644	2,410,644
Intangible assets	380,907	454,058	382,986
<b>Total Assets</b>	<b>180,473,145</b>	<b>170,285,615</b>	<b>156,027,722</b>
<b>Liabilities</b>			
Deposits from customers	123,958,705	123,216,802	114,748,978
Deposits and placements of banks and other financial institutions	13,110,123	10,879,507	11,445,660
Obligations on securities sold under repurchase agreements	1,925,777	633,797	-
Bills and acceptances payable	800,680	486,091	683,996
Derivatives financial instruments	1,009,421	1,137,906	682,098
Clients' and brokers' balances	140,353	138,451	177,768
Payables and other liabilities	4,574,141	3,864,180	3,854,889
Provision for claims	85,255	96,818	63,763
Provision for taxation	189,131	228,967	77,351
Deferred tax liability	221,561	238,333	82,378
Subordinated bonds	4,873,509	4,369,385	2,885,028
Senior Bonds	1,902,171	1,907,793	910,810
Non-innovative Tier 1 stapled securities	1,408,992	1,407,283	1,405,706
Innovative Tier 1 capital securities	556,042	574,581	595,720
Borrowing	3,526,161	1,744,338	2,214,240
Insurance funds	7,186,415	6,079,679	5,350,450
<b>Total Liabilities</b>	<b>165,468,437</b>	<b>157,003,911</b>	<b>145,178,835</b>
<b>Equity</b>			
Share capital	1,052,768	1,052,768	1,052,768
Capital reserves	2,234,198	1,743,186	1,490,500
Retained profits	6,590,499	5,985,755	5,255,655
Fair value reserves	248,221	179,506	147,886
Treasury shares held for ESOS scheme	(49,958)	(62,705)	(72,517)
<b>Total shareholders' equity</b>	<b>10,075,728</b>	<b>8,898,510</b>	<b>7,874,292</b>
Non-controlling interest	4,928,980	4,383,194	2,974,595
<b>Total Equity</b>	<b>15,004,708</b>	<b>13,281,704</b>	<b>10,848,887</b>
<b>Total Liabilities and Equity</b>	<b>180,473,145</b>	<b>170,285,615</b>	<b>156,027,722</b>
<b>Commitment and Contingencies</b>			
	167,125,844	154,335,344	142,616,516
Net assets per share (net of treasury shares) attributable to ordinary equity holder of the parent (RM)	9.66	8.56	7.59

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2012.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/06/2013 RM '000	Restated Last year quarter ended 30/06/2012 RM '000	Current year to date 30/06/2013 RM '000	Restated Last year to date 30/06/2012 RM '000
<b>THE GROUP</b>				
Interest income	1,409,457	1,415,994	5,618,423	5,554,314
Interest expense	(921,210)	(781,243)	(3,264,357)	(2,962,567)
Net interest income	488,247	634,751	2,354,066	2,591,747
Income from Islamic banking business	107,275	114,910	454,887	447,598
Non interest income	448,672	288,154	1,569,618	1,118,818
Net income	1,044,194	1,037,815	4,378,571	4,158,163
Overhead expenses	(540,219)	(496,253)	(2,036,802)	(2,094,398)
Operating profit before allowances	503,975	541,562	2,341,769	2,063,765
(Allowances for)/writeback of impairment losses on loans, advances and financing and other losses	(28,395)	(82,820)	(41,621)	19,855
(Allowances for)/writeback of impairment losses	(620)	27,219	4,275	39,515
	474,960	485,961	2,304,423	2,123,135
Share of results of associated companies	89,192	74,263	322,542	268,994
Share of results of jointly controlled entity	1,268	818	3,074	1,619
Profit before taxation	565,420	561,042	2,630,039	2,393,748
Taxation	(11,679)	(128,120)	(465,265)	(540,310)
Net profit for the financial year	553,741	432,922	2,164,774	1,853,438
Attributable to :				
Owners of the parents	389,561	255,605	1,487,690	1,233,568
Non-controlling interest	164,180	177,316	677,084	619,870
Net profit for the financial year	553,741	432,922	2,164,774	1,853,438
Basic earnings per ordinary share (sen)	37.4	24.6	142.7	118.6
Diluted earnings per ordinary share (sen)	37.3	24.5	142.4	118.0

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2012.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/06/2013 RM '000	Restated Last year quarter ended 30/06/2012 RM '000	Current year to date 30/06/2013 RM '000	Restated Last year to date 30/06/2012 RM '000
<b>THE GROUP</b>				
Net profit for the financial year	553,741	432,922	2,164,774	1,853,438
<b>Other comprehensive income:</b>				
Share of other comprehensive loss of associate company and jointly controlled entity	(650)	(161)	(672)	(185)
Net fair value changes on financial investments available-for-sale	31,451	(29,792)	93,060	88,632
Currency translation differences	12,165	36,484	4,879	14,124
Income tax relating to components of other comprehensive (income)/loss	(7,861)	7,122	(25,816)	(25,938)
Total comprehensive income for the financial year, net of tax	<u>588,846</u>	<u>446,575</u>	<u>2,236,225</u>	<u>1,930,071</u>
Attributable to :				
Owners of the parents	433,901	251,263	1,558,886	1,279,063
Non-controlling interest	154,945	195,313	677,339	651,008
	<u>588,846</u>	<u>446,575</u>	<u>2,236,225</u>	<u>1,930,071</u>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2012.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED COMPANY STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013**

<b>THE COMPANY</b>	<b>As at 30/06/2013 RM '000</b>	<b>Restated As at 30/06/2012 RM '000</b>	<b>Restated As at 01/07/2011 RM '000</b>
<b><u>Assets</u></b>			
Cash and short term funds	10,662	40,900	114,679
Deposits and placements with financial institutions	11,677	-	-
Financial assets held-for-trading	-	-	37,814
Derivative financial assets	860	196	2,342
Other receivables	60,663	62,851	2,360,033
Tax recoverable	17,400	16,113	8,475
Deferred tax assets	4,977	-	-
Investment in subsidiaries	15,105,348	15,240,532	13,537,942
Property and equipment	898	1,092	1,577
Intangible assets	11	15	12
<b>Total Assets</b>	<b><u>15,212,496</u></b>	<b><u>15,361,699</u></b>	<b><u>16,062,874</u></b>
<b><u>Liabilities</u></b>			
Derivative financial liabilities	8,160	17,545	8,454
Payables and other liabilities	15,104	12,868	5,985
Borrowings	1,466,106	1,579,288	2,194,165
<b>Total Liabilities</b>	<b><u>1,489,370</u></b>	<b><u>1,609,701</u></b>	<b><u>2,208,604</u></b>
<b><u>Financed by:</u></b>			
Share capital	1,052,768	1,052,768	1,052,768
Capital reserves	388,900	384,298	385,777
Retained profits	12,318,619	12,362,017	12,471,511
Treasury shares held for ESOS scheme	(37,161)	(47,085)	(55,786)
<b>Total Equity</b>	<b><u>13,723,126</u></b>	<b><u>13,751,998</u></b>	<b><u>13,854,270</u></b>
<b>Total Liabilities and Equity</b>	<b><u>15,212,496</u></b>	<b><u>15,361,699</u></b>	<b><u>16,062,874</u></b>
<b>Commitment and Contingencies</b>	<b><u>967,360</u></b>	<b><u>1,165,672</u></b>	<b><u>921,000</u></b>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2012.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED COMPANY STATEMENTS OF INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2013 RM '000	quarter ended 30/06/2012 RM '000	to date 30/06/2013 RM '000	to date 30/06/2012 RM '000
<b>THE COMPANY</b>				
Interest income	1,086	884	3,804	32,094
Interest expense	(13,454)	(14,364)	(57,076)	(68,587)
Net interest expense	(12,368)	(13,480)	(53,272)	(36,493)
Non interest income	(36)	(17,881)	507,729	277,486
Net income	(12,404)	(31,361)	454,457	240,993
Overhead expenses	(10,346)	(10,449)	(27,436)	(34,135)
Writeback of impairment losses	-	-	1,056	-
(Loss)/profit before taxation and zakat	(22,750)	(41,810)	428,077	206,858
Taxation	22,085	13,000	(97,785)	(61,742)
Net (loss)/profit for the financial year	(665)	(28,810)	330,292	145,116
Basic earnings per ordinary share (sen)	(0.1)	(2.8)	31.6	13.9
Diluted earnings per ordinary share (sen)	(0.1)	(2.7)	31.5	13.8

**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2013 RM '000	quarter ended 30/06/2012 RM '000	to date 30/06/2013 RM '000	to date 30/06/2012 RM '000
<b>THE COMPANY</b>				
Net (loss)/profit for the financial year	(665)	(28,810)	330,292	145,116
Other comprehensive income for the financial year	-	-	-	-
Total comprehensive (expense)/income for the financial year	(665)	(28,810)	330,292	145,116

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2012.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013	Share Capital RM '000	Share Premium RM '000	Treasury Shares RM '000	Statutory Reserves RM '000	Other Capital Reserves & General Reserves RM '000	Share Options Reserves RM '000	Fair Value Reserves RM '000	Regulatory Reserve# RM '000	Exchange Fluctuation Reserves RM '000	Retained Profits RM '000	Total Shareholders' Equity RM '000	Non-Controlling Interests RM '000	Total Equity RM '000
At 1 July 2012													
- as previously reported	1,052,768	117,229	(62,705)	1,473,456	133,993	35,445	97,530	6,045	(22,982)	5,562,666	8,393,445	4,153,189	12,546,634
- adoption of MFRS and changes in accounting policies (Note 27)	-	-	-	-	-	-	81,976	-	-	423,089	505,065	230,005	735,070
As restated	1,052,768	117,229	(62,705)	1,473,456	133,993	35,445	179,506	6,045	(22,982)	5,985,755	8,898,510	4,383,194	13,281,704
<u>Comprehensive income</u>													
Net profit for the financial year	-	-	-	-	-	-	-	-	-	1,487,690	1,487,690	677,084	2,164,774
Currency translation differences	-	-	-	-	-	-	-	-	2,481	-	2,481	2,398	4,879
Share of other comprehensive loss of associates	-	-	-	-	-	-	(664)	-	-	-	(664)	(8)	(672)
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	-	69,379	-	-	-	69,379	(2,135)	67,244
Total comprehensive income	-	-	-	-	-	-	68,715	-	2,481	1,487,690	1,558,886	677,339	2,236,225
<u>Transaction with owners</u>													
Transfer to statutory reserves/regulatory reserves	-	-	-	498,302	-	-	-	2,482	-	(500,784)	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	3,435	3,435	(2,064)	1,371
Acquisition of additional interest in subsidiary company	-	-	-	-	-	-	-	-	-	499	499	(9,976)	(9,477)
Dividends paid	-	-	-	-	-	-	-	-	-	(376,003)	(376,003)	-	(376,003)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	(32,400)	(32,400)	(172,496)	(204,896)
Non-controlling interests share of subsidiary treasury shares	-	-	-	-	-	-	-	-	-	-	-	52,983	52,983
Option charge arising from ESOS	-	-	-	-	-	3,401	-	-	-	-	3,401	-	3,401
Purchase of treasury shares	-	-	(3,676)	-	-	-	-	-	-	-	(3,676)	-	(3,676)
Exercise of ESOS	-	-	16,423	-	-	(16,078)	-	-	-	22,731	23,076	-	23,076
Transfer to capital redemption reserve	-	-	-	-	424	-	-	-	-	(424)	-	-	-
<b>AT 30 JUNE 2013</b>	<b>1,052,768</b>	<b>117,229</b>	<b>(49,958)</b>	<b>1,971,758</b>	<b>134,417</b>	<b>22,768</b>	<b>248,221</b>	<b>8,527</b>	<b>(20,501)</b>	<b>6,590,499</b>	<b>10,075,728</b>	<b>4,928,980</b>	<b>15,004,708</b>

# 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 2012.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012	Share Capital	Share Premium	Treasury Shares	Statutory Reserves	Other Capital Reserves & General Reserves	Share Options Reserves	Fair Value Reserves	Regulatory Reserve#	Exchange Fluctuation Reserves	Retained Profits	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
At 1 July 2011													
- as previously reported	1,052,768	117,229	(72,517)	1,241,179	133,258	34,965	88,880	726	(36,857)	4,911,368	7,470,999	2,791,539	10,262,538
- adoption of MFRS and changes in accounting policies (Note 27)	-	-	-	-	-	-	59,006	-	-	344,287	403,293	183,056	586,349
As restated	1,052,768	117,229	(72,517)	1,241,179	133,258	34,965	147,886	726	(36,857)	5,255,655	7,874,292	2,974,595	10,848,887
<u>Comprehensive income</u>													
Net profit for the financial year	-	-	-	-	-	-	-	-	-	1,233,568	1,233,568	619,870	1,853,438
Currency translation differences	-	-	-	-	-	-	-	-	13,875	-	13,875	249	14,124
Share of other comprehensive loss of associates	-	-	-	-	-	-	(177)	-	-	-	(177)	(8)	(185)
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	-	31,797	-	-	-	31,797	30,897	62,694
Total comprehensive income	-	-	-	-	-	-	31,620	-	13,875	1,233,568	1,279,063	651,008	1,930,071
<u>Transaction with owners</u>													
Transfer to statutory reserves/regulatory reserves	-	-	-	232,277	-	-	-	5,319	-	(237,596)	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	(16,250)	(16,250)	16,055	(195)
Subscription of rights shares of a subsidiary company	-	-	-	-	-	-	-	-	-	-	-	916,325	916,325
Dividend paid	-	-	-	-	-	-	-	-	-	(260,506)	(260,506)	-	(260,506)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	-	(131,741)	(131,741)
Non-controlling interests share of subsidiary treasury shares	-	-	-	-	-	-	-	-	-	-	-	(43,048)	(43,048)
Option charge arising from ESOS	-	-	-	-	-	4,534	-	-	-	2,614	7,148	-	7,148
Purchase of treasury shares	-	-	(6,060)	-	-	-	-	-	-	-	(6,060)	-	(6,060)
Exercise of ESOS	-	-	15,872	-	-	(4,054)	-	-	-	9,005	20,823	-	20,823
Transfer to capital redemption reserve	-	-	-	-	735	-	-	-	-	(735)	-	-	-
<b>AT 30 JUNE 2012</b>	<b>1,052,768</b>	<b>117,229</b>	<b>(62,705)</b>	<b>1,473,456</b>	<b>133,993</b>	<b>35,445</b>	<b>179,506</b>	<b>6,045</b>	<b>(22,982)</b>	<b>5,985,755</b>	<b>8,898,510</b>	<b>4,383,194</b>	<b>13,281,704</b>

# 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 2012.

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**

<b>FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013</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>
At 1 July 2012							
- as previously reported	1,052,768	117,229	254,991	12,078	1,217,425	(47,085)	2,607,406
- adoption of MFRS (Note 27)	-	-	-	-	11,144,592	-	11,144,592
As restated	1,052,768	117,229	254,991	12,078	12,362,017	(47,085)	13,751,998
Net profit for the financial year	-	-	-	-	330,292	-	330,292
Dividend paid	-	-	-	-	(376,003)	-	(376,003)
Option charge arising from ESOS	-	-	-	4,602	-	-	4,602
Purchase of treasury shares	-	-	-	-	-	(3,676)	(3,676)
Exercise of ESOS	-	-	-	-	2,313	13,600	15,913
<b>AT 30 JUNE 2013</b>	<b>1,052,768</b>	<b>117,229</b>	<b>254,991</b>	<b>16,680</b>	<b>12,318,619</b>	<b>(37,161)</b>	<b>13,723,126</b>

<b>FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012</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>
At 1 July 2011							
- as previously reported	1,052,768	117,229	254,991	13,557	1,326,919	(55,786)	2,709,678
- adoption of MFRS (Note 27)	-	-	-	-	11,144,592	-	11,144,592
As restated	1,052,768	117,229	254,991	13,557	12,471,511	(55,786)	13,854,270
Net profit for the financial year	-	-	-	-	145,116	-	145,116
Dividend paid	-	-	-	-	(260,506)	-	(260,506)
Option charge arising from ESOS	-	-	-	(1,479)	2,614	-	1,135
Purchase of treasury shares	-	-	-	-	-	(6,060)	(6,060)
Exercise of ESOS	-	-	-	-	3,282	14,761	18,043
<b>AT 30 JUNE 2012</b>	<b>1,052,768</b>	<b>117,229</b>	<b>254,991</b>	<b>12,078</b>	<b>12,362,017</b>	<b>(47,085)</b>	<b>13,751,998</b>

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**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOW**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**

	The Group		The Company	
	30/06/2013 RM '000	Restated 30/06/2012 RM '000	30/06/2013 RM '000	Restated 30/06/2012 RM '000
Profit before taxation and zakat	2,630,039	2,393,748	428,077	206,858
Adjustment for non-cash items and others	(99,453)	(48,708)	(433,513)	(243,989)
Operating profit before working capital changes	2,530,586	2,345,040	(5,436)	(37,131)
Income tax (paid)/refund	(570,177)	(286,575)	16,355	4,975
Interest received	3,804	32,094	3,804	32,094
Changes in working capital				
Net changes in operating assets	(3,181,994)	(22,727,807)	(1,662)	25,127
Net changes in operating liabilities	5,334,055	8,294,014	(7,150)	12,849
<b>Net cash flow generated from/(used in) operating activities</b>	<b>4,116,274</b>	<b>(12,343,234)</b>	<b>5,911</b>	<b>37,914</b>
Net cash flow from investing activities:				
Net purchases of financial investments available-for-sale	(6,756,049)	(4,483,895)	-	-
Net (purchases)/proceeds of financial investments held-to-maturity	(442,792)	3,522,071	-	-
Interest received on financial investments available-for-sale and held-to-maturity	427,192	435,652	-	-
Purchase on intangibles assets	(28,356)	(145,876)	(3)	(12)
Purchase of property and equipment	(128,847)	(161,913)	(151)	(108)
Proceeds from disposal of property and equipment	2,751	16,317	-	4
Dividends received from other investments	238,352	53,140	1,025	1,728
Dividends received from subsidiaries	-	-	361,215	223,067
Repayment of bridging loan from subsidiary	-	-	-	2,300,000
Increase in investment in subsidiary	-	-	-	(1,659,818)
Acquisition of additional interest in subsidiary company	(9,477)	-	(9,477)	-
Dividend from associated company	74,373	24,681	-	-
Proceeds/(subscription) of redeemable preference shares	-	-	145,716	(42,772)
<b>Net cash flow (used in)/generated from investing activities</b>	<b>(6,622,853)</b>	<b>(739,823)</b>	<b>498,325</b>	<b>822,089</b>
Net cash flow from financing activities				
Dividends paid by the Company to shareholders	(376,003)	(260,506)	(376,003)	(260,506)
Dividends paid by the Company to non-controlling interests	(204,896)	(131,741)	-	-
Purchase of treasury shares	(3,676)	(6,060)	(3,676)	(6,060)
Proceeds from exercising of ESOS	23,076	20,823	15,913	18,043
(Repayment)/drawdown of revolving credit	(165,000)	144,975	-	-
Issuance of medium term notes and commercial paper	2,065,000	430,000	65,000	430,000
Proceeds from senior bonds	-	910,959	-	-
Proceeds from subordinated bonds	505,000	1,453,587	-	-
Repayment of term loans	(178,030)	(1,050,000)	(178,030)	(1,050,000)
Interest paid on subordinated bonds	(186,883)	(136,754)	-	-
Interest paid on borrowings	(139,558)	(66,715)	(57,678)	(65,259)
Interest paid on senior bonds	(67,639)	(36,232)	-	-
Interest paid on non-innovative Tier 1 stapled securities	(72,021)	(71,281)	-	-
Interest paid on innovative Tier 1 capital securities	(23,629)	(21,198)	-	-
Issuance of rights issue by subsidiary company	-	916,325	-	-
<b>Net cash flow generated from/(used in) financing activities</b>	<b>1,175,741</b>	<b>2,096,182</b>	<b>(534,474)</b>	<b>(933,782)</b>
<b>Changes in cash and cash equivalents</b>	<b>(1,330,838)</b>	<b>(10,986,875)</b>	<b>(30,238)</b>	<b>(73,779)</b>
<b>Effect of change in foreign exchange rate</b>	<b>7,379</b>	<b>96,481</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents as at 1 July</b>	<b>21,121,039</b>	<b>32,011,433</b>	<b>40,900</b>	<b>114,679</b>
<b>Cash and cash equivalents as at 30 June</b>	<b>19,797,580</b>	<b>21,121,039</b>	<b>10,662</b>	<b>40,900</b>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2012.*

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG” or “the Company”)  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**

**1. Basis of preparation**

The unaudited condensed financial statements for the financial year ended 30 June 2013 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 the Company for the financial year ended 30 June 2012. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Company since the year ended 30 June 2012.

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.

Since the previous annual audited financial statements as at 30 June 2012 were issued, the Group has adopted the Malaysian Financial Reporting Standards ("MFRS") framework issued by the MASB with effect from 1 July 2012. This MFRS framework was introduced by the MASB in order to fully converge Malaysian existing Financial Reporting Standards ("FRS") framework with the International Financial Reporting Standard ("IFRS") framework issued by the International Accounting Standards Board. Whilst all FRSs issued under the previous FRS framework were equivalent to the MFRSs issued under the MFRS framework, there are some differences in relation to the transitional provisions and effective dates contained in certain of the FRSs.

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 2012, except for the adoption of the following relevant accounting standards, amendments to published accounting standards and interpretations to existing accounting standards which are effective from 1 July 2012:

MFRS 1	"First-Time Adoption of MFRS"
MFRS 4	"Insurance contract"
MFRS 139	"Financial Instruments: Recognition and Measurement"
Revised MFRS 124	"Related Party Disclosures"
Amendment to MFRS 112	"Income Taxes"
Amendment to MFRS 1	"First-time Adoption on Fixed Dates and Hyperinflation"
Amendment to MFRS 7	"Financial Instruments: Disclosures on Transfers of Financial Assets"
Amendment to MFRS 101	"Presentation of Items of Other Comprehensive Income"

The change in accounting policies above have been accounted for retrospectively by re-measuring the relevant financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to the Group's and the Company opening retained profits. As such, comparatives have been restated to conform with current year's presentation. The financial effects of convergence to the MFRS framework and any consequential changes in accounting policies as a result of the convergence are discussed in Note 27.

**2. Status of matters giving rise to the auditor's qualified report in the annual financial statement for the financial year ended 30 June 2012**

There was no qualified report issued by the auditors in the annual financial statements for the financial year ended 30 June 2012.

**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 or 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 year.

**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 year.

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

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares in HLFG for the financial year ended 30 June 2013 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 MFRS 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 has granted the following conditional incentive share options to eligible executives of the Company pursuant to the ESOS of HLFG:

- (i) 12,500,000 share options at an exercise price of RM5.92; and
- (ii) 6,000,000 share options at an exercise price of RM11.77

subject to the achievement of certain performance criteria over an option performance period. The said share options, if vested, will be satisfied by the transfer of existing shares purchased by a trust establish for the ESOS.

During the financial year ended 30 June 2013, the Company purchased 310,000 units of shares for RM3,675,821. A total of 2,688,000 ordinary shares of RM1 each were exercised pursuant to the Company's ESOS at the granted exercise price of RM5.92.

The remaining number of shares held by the appointed trustee for the Company as at 30 June 2013 was 7,344,408 units at an average price of RM5.06 per share and the total consideration paid, including transaction costs was RM37,161,000.

The insurance subsidiary companies exercised a total of 593,900 ordinary shares of RM1 each pursuant to the Company's ESOS at the granted exercise price of RM8.09 during the financial year ended 30 June 2013.

The remaining number of shares held by the appointed trustee for the insurance subsidiary companies as at 30 June 2013 was 2,692,192 units at an average price of RM4.75 per share with total consideration paid, including transaction costs was RM12,797,000 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 10 of the additional information required by the Bursa Malaysia security.

## 7. Dividends paid

A first interim single-tier dividend of 13.0 sen per share amounting to RM135.6 million was paid on 20 December 2012.

A second interim single-tier dividend of 23.0 sen per share amounting to RM240.4 million was paid on 27 June 2013.

## 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 based on internally computed cost of funds. 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 and asset management	Investment banking, futures and stockbroking, fund and unit trust management
Insurance	Life and general insurance business
Other operations	Investment holding and provision of management services

## 8. Segmental reporting (continued)

<b>GROUP</b> <b>30 JUNE 2013</b>	<b>Commercial Banking RM'000</b>	<b>Investment Banking RM'000</b>	<b>Insurance RM'000</b>	<b>Others RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>Revenue for the year ended</b>						
External sales	3,998,702	186,900	184,823	8,146	-	4,378,571
Intersegment sales	8,093	3,474	3,158	493,887	(508,612)	-
	<u>4,006,795</u>	<u>190,374</u>	<u>187,981</u>	<u>502,033</u>	<u>(508,612)</u>	<u>4,378,571</u>
<b>Results for the year ended</b>						
Segment results	2,125,868	67,933	122,896	475,174	(487,448)	2,304,423
Share of results of associated companies						322,542
Share of results of jointly controlled entity						3,074
Profit before taxation						<u>2,630,039</u>
Taxation						<u>(465,265)</u>
Net profit for the financial year						<u>2,164,774</u>
Non-controlling interests						<u>(677,084)</u>
Profit attributable to owners of the parents						<u><u>1,487,690</u></u>
<b>Other information</b>						
Segment assets	163,585,697	2,878,945	13,519,450	15,529,657	(15,040,604)	<u>180,473,145</u>
Segment liabilities	150,549,073	2,397,971	11,287,053	1,657,699	(423,359)	<u>165,468,437</u>

## 8. Segmental reporting (continued)

<b>GROUP</b> <b>30 JUNE 2012 (Restated)</b>	<b>Commercial Banking RM'000</b>	<b>Investment Banking * RM'000</b>	<b>Insurance RM'000</b>	<b>Others RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>Revenue for the year ended</b>						
External sales	3,806,180	181,484	239,250	(68,751)	-	4,158,163
Intersegment sales	24,360	1,857	2,290	310,464	(338,971)	-
	<u>3,830,540</u>	<u>183,341</u>	<u>241,540</u>	<u>241,713</u>	<u>(338,971)</u>	<u>4,158,163</u>
<b>Results for the year ended</b>						
Segment results	2,116,421	(47,380)	156,771	197,699	(300,376)	2,123,135
Share of results of associated company						268,994
Share of results of jointly controlled entity						1,619
Profit before taxation and zakat						<u>2,393,748</u>
Taxation and zakat						<u>(540,310)</u>
Net profit for the financial year						1,853,438
Non-controlling interest						<u>(619,870)</u>
Profit attributable to owners of the parents						<u>1,233,568</u>
<b>Other information</b>						
Segment assets	158,167,066	2,527,450	9,369,353	15,747,876	(15,526,130)	<u>170,285,615</u>
Segment liabilities	146,462,907	2,135,043	7,400,937	1,897,321	(892,297)	<u>157,003,911</u>

\* The loss arising in the Investment Banking segment results was mainly due to RM87mil goodwill written off by MIMB post acquisition of EON Group. However this was subsequently eliminated at Group level without any impact to the Group consolidated results and incorporated as part of the Group's acquisition goodwill.

**8. Segmental reporting (continued)**

<b>GROUP</b> <b>01 JULY 2011 (Restated)</b>	<b>Commercial Banking RM'000</b>	<b>Investment Banking RM'000</b>	<b>Insurance RM'000</b>	<b>Others RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>Other information</b>						
Segment assets	145,157,613	2,255,960	8,312,656	16,398,806	(16,097,313)	<u>156,027,722</u>
Segment liabilities	137,757,015	1,657,227	6,470,633	2,422,097	(3,128,137)	<u>145,178,835</u>

## 9. Financial assets held-for-trading

	As at 30/06/2013 RM '000	Group Restated As at 30/06/2012 RM '000	Restated As at 01/07/2011 RM '000
Money market instruments:			
Government Treasury Bills	372,834	253,388	49,185
Malaysian Government Securities	855,590	240,511	118,769
Negotiable instruments of deposit	4,478,746	3,445,966	479,071
Bankers' acceptances and Islamic accepted bills	3,456,639	4,204,306	3,944,863
Bank Negara Malaysia bills	4,961,614	11,244,208	767,821
Malaysian Government Investment Certificates	692,661	2,177,642	388,068
Commercial papers	-	-	93,847
Cagamas bonds	21,586	72,214	-
	14,839,670	21,638,235	5,841,624
Quoted securities:			
Shares quoted in Malaysia	462,830	363,853	415,106
Shares quoted outside Malaysia	260,463	306,697	182,083
Unit trust investments	44,496	26,029	62,288
Loan stocks in Malaysia	-	500	525
Warrants quoted in Malaysia	29	486	-
Unquoted securities :			
Foreign currency bonds	246,890	390,858	383,748
Private and Islamic debts securities	949,942	613,482	262,606
Total financial assets held-for-trading	16,804,320	23,340,140	7,147,980

On 1 July 2012, the Group designated a previously held financial investments available-for-sale to financial assets held-for-trading, as allowed under MFRS 1. The fair value amount of the financial investments at the date of designation is RM273,253,000.

	As at 30/06/2013 RM '000	Company As at 30/06/2012 RM '000	As at 01/07/2011 RM '000
<b><u>At Fair Value</u></b>			
Unit Trust	-	-	37,814

## 10. Financial investments available-for-sale

	As at 30/06/2013 RM '000	Group Restated As at 30/06/2012 RM '000	Restated As at 01/07/2011 RM '000
Money market instruments:			
Government Treasury Bills	371,911	375,160	364,156
Bank Negara Malaysia sukuk	-	-	114,695
Bank Negara Malaysia monetary notes	-	-	57,117
Bank Negara Malaysia bills	-	-	76,353
Malaysian Government Securities	455,835	415,728	1,047,502
Malaysian Government Investment Certificates	3,104,568	1,369,664	1,911,745
Negotiable instruments of deposit	142,045	11,826	522,051
Islamic negotiable instrument debt securities	-	-	28,833
Cagamas bonds	769,827	633,775	146,371
Bankers acceptance	-	-	44,853
Other Government securities	587,898	196,949	49,857
	5,432,084	3,003,102	4,363,533
Quoted securities:			
Shares quoted in Malaysia	806,261	639,447	649,198
Shares quoted outside Malaysia	211,244	267,677	301,763
Warrants quoted in Malaysia	93	122	-
Loan stocks quoted in Malaysia	7,437	6,420	1,112
Unit trust investments	2,914,645	217,574	127,900
Wholesale fund	1,499,900	999,800	-

## 10. Financial investments available-for-sale (continued)

	As at 30/06/2013 RM '000	Group Restated As at 30/06/2012 RM '000	Restated As at 01/07/2011 RM '000
Unquoted securities :			
Shares in Malaysia	329,346	312,108	228,783
Shares outside Malaysia	3,450	3,468	3,298
Foreign currency bonds in Malaysia	3,396,120	2,228,512	172,603
Foreign currency bonds outside Malaysia	1,256,252	1,511,176	736,778
Investment Linked funds	300	4,867	-
Private debt securities	6,454,576	6,156,702	4,100,948
Total financial investments available-for-sale	<u>22,311,708</u>	<u>15,350,975</u>	<u>10,685,916</u>

On 1 July 2012, the Group designated a previously held financial investments available-for-sale to financial assets held-for-trading, as allowed under MFRS 1. The fair value amount of the financial investments at the date of designation is RM273,253,000.

The Group has also designated a previously held financial investments held-to-maturity to financial investments available-for-sale, as allowed under MFRS 1. The fair value and the carrying amount of the financial investments at the date of designation are RM65,741,000 and RM63,745,000 respectively for the Group.

## 11. Financial investments held-to-maturity

	As at 30/06/2013 RM '000	Group Restated As at 30/06/2012 RM '000	Restated As at 01/07/2011 RM '000
Money market instruments:			
Malaysian Government Securities	1,616,218	1,867,919	3,577,909
Malaysian Government Investment Certificates	2,309,047	1,091,531	1,128,464
Negotiable instruments of deposit	5,833	20,593	2,677,278
Cagamas bonds	86,879	258,340	181,261
Other Government securities	2,541	151,958	14,042
	<u>4,020,518</u>	<u>3,390,341</u>	<u>7,578,954</u>
Unquoted securities :			
Loan stocks	120	306	268
Private and Islamic debt securities	550,634	664,056	452,266
Foreign currency bonds outside Malaysia	192,912	211,512	16,140
Unquoted bonds	486	47,226	-
Investment in preference shares	52,000	52,000	-
Total financial investments held-to-maturity	<u>4,816,670</u>	<u>4,365,441</u>	<u>8,047,628</u>

The Group designated a previously held financial investments held-to-maturity to financial investments available-for-sale, as allowed under MFRS 1. The fair value and the carrying amount of the financial investments at the date of designation are RM65,741,000 and RM63,745,000 respectively for the Group.



## 12. Loans, advances and financing

	As at 30/06/2013 RM '000	Group Restated As at 30/06/2012 RM '000	Restated As at 01/07/2011 RM '000
Overdrafts	4,346,203	4,073,003	4,185,914
Term loans :			
- Housing loans/financing	41,135,376	37,066,670	31,761,748
- Syndicated term loan/financing	6,333,829	5,468,161	4,669,705
- Hire purchase receivables	17,408,072	17,373,330	17,214,483
- Lease receivables	-	-	4,486
- Other term loans/financing	9,829,885	10,220,953	10,484,564
Credit/charge card receivables	4,088,083	4,233,382	4,262,859
Bills receivables	1,292,482	651,240	354,250
Trust receipts	302,199	342,745	302,959
Claims on customers under acceptance credits	7,362,332	7,251,829	6,621,138
Block discounting	6,030	6,582	8,391
Revolving credits	4,890,538	3,770,367	3,771,610
Policy and premium loans	669,807	683,482	676,745
Staff loans	195,320	244,089	283,247
Other loans/financing	193,782	127,386	210,477
	<u>98,053,938</u>	<u>91,513,219</u>	<u>84,812,576</u>
Fair value changes arising from fair value hedges	(7,450)	23,852	-
Unamortised fair value changes arising from terminated fair value hedges	15,035	21,570	17,177
Less: Allowance for impaired loans, advances and financing			
- collective assessment allowance	(1,260,301)	(1,502,452)	(1,537,112)
- individual assessment allowance	(526,270)	(543,234)	(797,739)
Total net loans, advances and financing	<u>96,274,952</u>	<u>89,512,955</u>	<u>82,494,902</u>

### (a) By type of customer

	As at 30/06/2013 RM '000	Group Restated As at 30/06/2012 RM '000	Restated As at 01/07/2011 RM '000
Domestic non-bank financial institutions	293,310	528,174	718,366
Domestic business enterprises			
- Small and medium enterprises	14,543,322	12,068,244	12,199,764
- Others	19,613,129	19,938,097	15,871,681
Government and statutory bodies	23,538	26,256	28,898
Individuals	59,471,203	56,260,326	53,214,510
Other domestic entities	231,638	29,549	30,678
Foreign entities	3,877,798	2,662,573	2,748,679
Gross loans, advances and financing	<u>98,053,938</u>	<u>91,513,219</u>	<u>84,812,576</u>

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

	As at 30/06/2013 RM '000	Group Restated As at 30/06/2012 RM '000	Restated As at 01/07/2011 RM '000
Fixed rate			
- Housing and shop loans/financing	3,124,510	2,999,685	3,467,141
- Hire purchase receivables/financing	17,035,642	16,843,527	17,158,926
- Credit cards	4,088,083	4,233,382	4,262,859
- Other fixed rate loan/financing	3,839,920	4,376,474	4,229,456
Variable rate			
- Base lending rate pegged	56,595,468	51,203,453	43,544,696
- Cost plus	12,724,701	11,600,563	11,634,807
- Other variables rates	645,614	256,135	514,691
Gross loans, advances and financing	<u>98,053,938</u>	<u>91,513,219</u>	<u>84,812,576</u>

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

### (c) By economic purpose

	As at 30/06/2013 RM '000	Group Restated As at 30/06/2012 RM '000	Restated As at 01/07/2011 RM '000
Purchase of securities	1,120,307	1,177,855	1,240,342
Purchase of transport vehicles	17,345,812	17,252,312	17,270,583
Purchase of landed properties			
- residential	34,218,619	30,691,075	27,648,543
- non-residential	10,858,636	9,985,329	9,059,391
Purchase of fixed assets (excluding landed properties)	555,874	638,350	668,935
Personal use	3,502,241	3,576,501	3,567,683
Credit card	4,088,083	4,233,382	4,262,859
Purchase of consumer durables	472	103	198
Construction	1,163,851	924,674	836,005
Working capital	21,803,772	19,988,086	17,856,413
Mergers and acquisition	447,926	388,832	-
Others	2,948,345	2,656,720	2,401,624
Gross loans, advances and financing	<u>98,053,938</u>	<u>91,513,219</u>	<u>84,812,576</u>

### (d) By geographical distribution

	As at 30/06/2013 RM '000	Group Restated As at 30/06/2012 RM '000	Restated As at 01/07/2011 RM '000
In Malaysia	95,329,667	89,572,368	82,990,260
Outside Malaysia			
- Singapore	2,480,476	1,767,575	1,807,973
- Hong Kong	-	20,488	-
- Vietnam	243,795	152,788	14,343
Gross loans, advances and financing	<u>98,053,938</u>	<u>91,513,219</u>	<u>84,812,576</u>

### (e) By residual contractual maturity

	As at 30/06/2013 RM '000	Group Restated As at 30/06/2012 RM '000	Restated As at 01/07/2011 RM '000
Maturing within:			
- one year	27,661,559	26,030,349	23,115,360
- one year to three years	7,418,571	7,140,836	5,753,992
- three years to five years	9,087,744	9,388,333	8,732,468
- over five years	53,886,064	48,953,701	47,210,756
Gross loans, advances and financing	<u>98,053,938</u>	<u>91,513,219</u>	<u>84,812,576</u>

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

### (f) Impaired loans by purpose

	As at 30/06/2013 RM '000	Group Restated As at 30/06/2012 RM '000	Restated As at 01/07/2011 RM '000
Purchase of securities	6,895	11,197	11,379
Purchase of transport vehicles	220,262	216,114	185,001
Purchase of landed properties			
- residential	246,866	342,581	458,242
- non-residential	59,554	73,388	79,403
Purchase of fixed assets (excluding landed properties)	14,576	21,667	21,067
Personal use	72,209	86,654	93,742
Credit card	60,675	66,949	58,100
Purchase of consumer durables	4	7	17
Construction	9,266	26,388	31,075
Working capital	635,311	649,243	940,998
Others	34,948	39,082	45,751
Gross loans, advances and financing	<u>1,360,566</u>	<u>1,533,270</u>	<u>1,924,775</u>

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

	As at 30/06/2013 RM '000	Group Restated As at 30/06/2012 RM '000	Restated As at 01/07/2011 RM '000
In Malaysia	1,330,767	1,490,699	1,879,750
Outside Malaysia			
- Singapore	29,438	42,571	45,025
- Vietnam	361	-	-
	<u>1,360,566</u>	<u>1,533,270</u>	<u>1,924,775</u>

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

	Group As at 30/06/2013 RM '000	Restated As at 30/06/2012 RM '000
As at beginning of the financial year	1,533,270	1,924,775
Impaired during the financial year	1,852,876	2,078,588
Performing during the financial year	(966,418)	(1,081,218)
Amount written back in respect of recoveries	(503,594)	(808,389)
Amount written off	(555,307)	(584,256)
Exchange differences	(261)	3,770
As at end of the financial year	<u>1,360,566</u>	<u>1,533,270</u>
Gross impaired loan as a % of gross loans, advances and financing	<u>1.4%</u>	<u>1.7%</u>

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

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

	Group	
	As at 30/06/2013 RM '000	Restated As at 30/06/2012 RM '000
<u>Collective Assessment Allowance</u>		
As at beginning of the financial year		
- as previously reported	1,885,320	1,791,958
- effect of full adoption of MFRS 139	(382,868)	(254,846)
As restated	<u>1,502,452</u>	<u>1,537,112</u>
Net allowance made during the year	183,785	334,453
Amount written off	(402,347)	(416,451)
Amount transfer (to)/from individual assessment allowance	(4,800)	55,688
Unwinding income	(18,751)	(8,819)
Exchange differences	(38)	469
As at end of the financial year	<u><u>1,260,301</u></u>	<u><u>1,502,452</u></u>
As % of gross loans, advances and financing less loans exempted from individual assessment allowance	<u>1.3%</u>	<u>1.6%</u>
<u>Individual Assessment Allowance</u>		
As at beginning of the financial year	543,234	797,739
Net allowance made during the year	190,973	61,291
Amount transfer from/(to) collective assessment allowance	4,800	(55,688)
Amount transfer to allowance for impairment losses under financial investments held-to-maturity	(14,211)	-
Amount written back in respect of recoveries	(90,853)	(139,313)
Amount written off	(95,906)	(116,873)
Unwinding income	(11,524)	(9,716)
Exchange differences	(243)	5,794
As at end of the financial year	<u><u>526,270</u></u>	<u><u>543,234</u></u>

### 13. Other receivables

	As at 30/06/2013 RM '000	Group Restated As at 30/06/2012 RM '000	Restated As at 01/07/2011 RM '000
Investment properties	1,680	1,680	1,680
Foreclosed properties	1,112	1,338	1,458
Sundry debtors and other prepayments	159,995	189,173	753,840
Treasury related receivable	136,362	220,591	62,352
Other receivables (net of allowance for impairment loss on debts of RM345,000 (30 June 2012: RM nil; 1 July 2011:RM nil))	706,100	249,148	337,954
	<u>1,005,249</u>	<u>661,930</u>	<u>1,157,284</u>

  

	As at 30/06/2013 RM '000	Company As at 30/06/2012 RM '000	As at 01/07/2011 RM '000
Amount due from subsidiary companies	57,656	60,461	2,357,479
Sundry debtors and other prepayments	883	543	100
Other receivables	2,124	1,847	2,454
	<u>60,663</u>	<u>62,851</u>	<u>2,360,033</u>

### 14. Deposits from customers

	As at 30/06/2013 RM '000	Group As at 30/06/2012 RM '000	As at 01/07/2011 RM '000
Fixed deposits	73,878,772	75,220,529	68,788,096
Negotiable instruments of deposit	8,147,193	5,828,928	5,584,465
	<u>82,025,965</u>	<u>81,049,457</u>	<u>74,372,561</u>
Demand deposits	17,514,256	14,644,399	14,893,230
Savings deposits	14,439,487	14,815,602	12,515,496
Short term corporate placement	9,659,336	12,311,878	12,561,243
Others	319,661	395,466	406,448
	<u>123,958,705</u>	<u>123,216,802</u>	<u>114,748,978</u>

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

	As at 30/06/2013 RM '000	Group As at 30/06/2012 RM '000	As at 01/07/2011 RM '000
Due within six months	58,101,048	61,202,332	57,182,990
More than six months to one year	19,875,082	14,405,933	12,967,434
More than one year to five years	3,939,835	5,441,192	4,222,137
More than five years	110,000	-	-
	<u>82,025,965</u>	<u>81,049,457</u>	<u>74,372,561</u>

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

	As at 30/06/2013 RM '000	Group As at 30/06/2012 RM '000	As at 01/07/2011 RM '000
Government and statutory bodies	3,916,254	4,479,480	5,777,465
Business enterprises	49,727,955	57,012,069	48,851,826
Individuals	66,104,854	59,427,462	51,479,665
Others	4,209,642	2,297,791	8,640,022
	<u>123,958,705</u>	<u>123,216,802</u>	<u>114,748,978</u>

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

	As at 30/06/2013 RM '000	Group As at 30/06/2012 RM '000	As at 01/07/2011 RM '000
Licensed banks and investment banks	10,479,520	8,555,164	7,673,057
Bank Negara Malaysia	-	150,152	1,897,375
Licensed Islamic Bank	1,095,095	1,556,675	581,968
Other financial institutions	1,535,508	617,516	1,293,260
	<u>13,110,123</u>	<u>10,879,507</u>	<u>11,445,660</u>
The maturity structure of deposits and placements of banks and other financial institutions:			
One year or less (short term)	<u>13,110,123</u>	<u>10,879,507</u>	<u>11,445,660</u>

## 16. Payables and other liabilities

	As at 30/06/2013 RM '000	Group As at 30/06/2012 RM '000	As at 01/07/2011 RM '000
Trade payables	1,040,074	862,878	672,751
Amount due to Cagamas Berhad	172,115	179,719	187,217
Loan advance payment	1,603,098	1,444,836	1,122,560
Post employment benefits obligations - defined contribution plan	4,159	4,304	4,779
Profit equalisation reserve	-	-	2,298
Treasury clearing	113,385	312	194,688
Cheque clearing	74,199	114,253	407,480
Treasury related payables	21,416	199,745	135,701
Sundry creditors and accruals	563,290	687,942	537,646
Provision for bonus and staff related expenses	208,497	161,299	80,358
Others	773,908	208,892	509,411
	<u>4,574,141</u>	<u>3,864,180</u>	<u>3,854,889</u>
	As at 30/06/2013 RM '000	Company As at 30/06/2012 RM '000	As at 01/07/2011 RM '000
Amount due to subsidiary companies	1,859	-	15
Sundry creditors and accruals	1,643	1,083	1,394
Provision for bonus and staff related expenses	11,564	11,733	4,559
Post employment benefits obligations - defined contribution plan	38	52	17
	<u>15,104</u>	<u>12,868</u>	<u>5,985</u>

## 17. Interest income

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2013 RM '000	quarter ended 30/06/2012 RM '000	to date 30/06/2013 RM '000	to date 30/06/2012 RM '000
Loan, advances and financing	1,001,744	961,591	4,018,641	3,943,718
Money at call and deposit placements with financial institutions	138,457	142,485	399,743	597,760
Securities purchased under resale agreements	8,051	4,747	28,019	10,433
Financial assets held-for-trading	156,394	182,974	741,624	534,026
Financial investments available-for-sale	85,191	88,910	322,668	236,349
Financial investments held-to-maturity	18,765	33,612	104,525	199,303
Others	855	1,675	3,203	32,725
	<u>1,409,457</u>	<u>1,415,994</u>	<u>5,618,423</u>	<u>5,554,314</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>6,304</u>	<u>5,874</u>	<u>26,958</u>	<u>18,250</u>

	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2013 RM '000	quarter ended 30/06/2012 RM '000	to date 30/06/2013 RM '000	to date 30/06/2012 RM '000
Money at call and deposit placements with financial institutions	294	271	947	1,195
Others	792	613	2,857	30,899
	<u>1,086</u>	<u>884</u>	<u>3,804</u>	<u>32,094</u>

## 18. Interest expense

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2013 RM '000	quarter ended 30/06/2012 RM '000	to date 30/06/2013 RM '000	to date 30/06/2012 RM '000
Deposits and placements of banks and other financial institutions	28,306	46,974	108,428	113,717
Deposits from customers	578,983	553,558	2,288,732	2,180,243
Short term corporate placements	66,791	102,008	304,756	309,173
Borrowings	149,856	15,145	198,959	70,043
Subordinated bonds	53,455	20,612	194,731	138,439
Senior bonds	16,612	15,175	67,557	42,756
Non-innovative Tier 1 stapled securities	17,963	18,075	72,215	72,858
Innovative Tier 1 capital securities	6,190	7,311	23,742	21,198
Others	3,054	2,385	5,237	14,140
	<u>921,210</u>	<u>781,243</u>	<u>3,264,357</u>	<u>2,962,567</u>
	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2013 RM '000	quarter ended 30/06/2012 RM '000	to date 30/06/2013 RM '000	to date 30/06/2012 RM '000
Borrowings	13,238	14,348	55,790	68,532
Others	216	16	1,286	55
	<u>13,454</u>	<u>14,364</u>	<u>57,076</u>	<u>68,587</u>

## 19. Non Interest Income

	Group		Group	
	Current quarter ended 30/06/2013 RM '000	Restated Last year quarter ended 30/06/2012 RM '000	Current year to date 30/06/2013 RM '000	Restated Last year to date 30/06/2012 RM '000
Net income from Insurance Business	50,784	49,381	150,954	187,574
Net brokerage and commissions from stockbroking business	15,045	9,564	43,511	41,050
Net unit trust and asset management income	4,385	5,074	18,613	16,750
Fee income:				
Commissions	33,771	30,468	132,027	112,241
Service charges and fees	14,853	11,629	49,308	46,116
Guarantee fees	4,073	4,233	22,575	18,396
Credit card related fees	69,854	70,453	270,152	274,448
Corporate advisory fees	8,686	2,760	10,326	13,302
Commitment fees	8,905	8,679	34,539	33,148
Fee on loans, advances and financing	15,000	24,916	66,359	74,145
Placement fees	9,514	504	31,187	1,122
Other fee income	3,707	41,223	34,399	64,307
	168,363	194,865	650,872	637,225
Gains/(losses) arising from sale of financial assets:				
Net gains/(losses) from financial assets held-for-trading	12,813	(15,064)	47,978	31,227
Net (losses)/gains from sale of financial investments available-for-sale	(86)	13,767	116,716	44,112
Net gains from redemption of financial investments held-to-maturity	1	140	8,437	1,839
Net (losses)/gains from sale of derivatives financial instruments	(11,573)	2,957	19,764	73,739
	1,155	1,800	192,895	150,917
Gross dividend income from:				
Financial assets held-for-trading	1,421	1,807	23,486	3,472
Financial investments available-for-sale	162,763	29,354	214,866	49,668
	164,184	31,161	238,352	53,140
Net unrealised gains/(losses) on revaluation of:				
Financial assets held-for-trading	(24,925)	(14,852)	21,742	(25,840)
Derivatives financial instruments	47,303	(45,240)	88,703	(149,630)
	22,378	(60,092)	110,445	(175,470)
Net realised losses on fair value changes arising from fair value hedge and amortisation of fair value changes arising from terminated fair value changes	(3,924)	(14,146)	(26,614)	(28,336)
Net unrealised gains/(loss) on fair value changes arising from fair value hedges	329	(2,678)	10,917	8,774
Other income:				
Foreign exchange gain	20,469	64,090	153,366	195,871
Rental income	1,251	693	5,459	4,922
Gains on disposal of property and equipment (net)	17	295	924	959
Others	4,236	8,147	19,924	25,442
	25,973	73,225	179,673	227,194
Total non interest income	448,672	288,154	1,569,618	1,118,818



**19. Non Interest Income (continued)**

	Company		Company	
	Current quarter ended 30/06/2013 RM '000	Last year quarter ended 30/06/2012 RM '000	Current year to date 30/06/2013 RM '000	Last year to date 30/06/2012 RM '000
Fee income:				
Management fees	2,121	2,318	8,379	8,012
Net realised (loss)/gain from sale of financial assets:				
- financial assets-held-for-trading	(112)	-	(120)	122
- derivatives	(2,468)	(5,342)	7,927	(13,721)
Gross dividend income from:				
Financial assets held-for-trading	490	275	1,025	1,728
Subsidiary companies	1,169	-	481,620	297,422
Unrealised gain/(loss) on revaluation of:				
Financial assets held-for-trading	(77)	(2)	-	-
Derivatives financial instruments	2,639	(11,075)	8,605	(11,237)
Other income	(3,798)	(4,055)	293	(4,840)
Total non interest income	<u>(36)</u>	<u>(17,881)</u>	<u>507,729</u>	<u>277,486</u>

## 20. Overhead expenses

	Group		Group	
	Current quarter ended 30/06/2013 RM '000	Restated Last year quarter ended 30/06/2012 RM '000	Current year to date 30/06/2013 RM '000	Restated Last year to date 30/06/2012 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	244,864	213,045	978,118	997,072
- Voluntary separation scheme (VSS)*	-	(1,978)	-	113,651
- Medical expenses	8,214	9,798	24,673	29,573
- Training and convention expenses	13,297	7,543	31,653	27,577
- Staff welfare	4,091	6,940	14,820	22,945
- Others	4,693	14,705	30,993	26,856
<u>Establishment costs</u>				
- Depreciation of property and equipments	28,336	30,037	110,724	109,246
- Amortisation of intangible assets	24,354	22,777	100,483	75,842
- Rental	21,854	18,925	87,167	78,258
- Information technology expenses	41,726	28,545	122,466	98,625
- Security services	10,825	9,854	31,384	29,564
- Electricity, water and sewerage	5,765	5,926	28,096	24,718
- Hire of plant and machinery	4,181	2,783	13,925	13,749
- Others	10,682	5,939	33,482	24,497
<u>Marketing expenses</u>				
- Advertisement and publicity	18,869	21,315	52,282	40,527
- Credit card related fees	16,132	14,895	61,794	65,051
- Commission	3,392	7,176	15,101	18,096
- Others	4,652	5,079	17,246	18,000
<u>Administration and general expenses</u>				
- Teletransmission expenses	5,581	4,129	17,672	16,213
- Stationery & printing	5,660	4,475	19,200	21,946
- Professional fees	22,766	21,834	95,700	83,331
- Insurance fees	8,110	4,502	22,177	20,765
- Stamp, postage and courier	6,710	6,292	24,698	25,588
- Credit card fees	18,763	16,223	69,649	64,813
- Travelling and transport expenses	1,710	2,157	7,534	7,810
- Registration and license fees	1,543	1,162	5,849	5,356
- Brokerage and commission	1,693	1,434	5,080	5,005
- Others	1,756	10,741	14,836	29,724
	<u>540,219</u>	<u>496,253</u>	<u>2,036,802</u>	<u>2,094,398</u>

\* In FY 2012, Hong Leong Bank Group ("HLBG") had implemented a Voluntary Separation Scheme (VSS). This scheme was introduced as part of the HLBG'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 quarter ended 30/06/2013 RM '000	Last year quarter ended 30/06/2012 RM '000	Current year to date 30/06/2013 RM '000	Last year to date 30/06/2012 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	4,384	8,041	17,515	26,560
- Medical expenses	28	19	99	86
- Training and convention expenses	9	10	15	73
- Staff welfare	57	42	202	222
- Others	4,708	1,235	4,826	1,345
<u>Establishment costs</u>				
- Depreciation of property and equipments	74	88	341	593
- Amortisation of intangible assets	1	3	7	9
- Rental	237	182	829	700
- Electricity, water and sewerage	13	6	37	27
- Hire of plant and machinery	8	8	30	28
- Others	80	80	155	152
<u>Administration and general expenses</u>				
- Teletransmission expenses	13	8	38	36
- Stationery & printing	12	10	45	45
- Professional fees	305	401	2,078	3,004
- Travelling and transport expenses	80	92	261	415
- Others	337	224	958	840
	<u>10,346</u>	<u>10,449</u>	<u>27,436</u>	<u>34,135</u>

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

	Group		Group	
	Current quarter ended 30/06/2013 RM '000	Restated Last year quarter ended 30/06/2012 RM '000	Current year to date 30/06/2013 RM '000	Restated Last year to date 30/06/2012 RM '000
Allowance for/(writeback of) impairment losses on loans, advances and financing:				
- Individual assessment allowance	121,537	(26,771)	100,120	(78,022)
- Collective assessment allowance	(38,951)	156,671	183,785	334,453
(Writeback of)/allowance for impairment losses on clients' and brokers' balances				
- Individual assessment allowance	(101)	2,360	(288)	(780)
- Collective assessment allowance	22	110	(111)	137
(Writeback of)/allowance for impairment losses on other assets				
- Individual assessment allowance	(108)	-	345	-
Impaired loans and financing:				
- written off	6,829	39,425	21,523	45,431
- recovered	(60,833)	(88,975)	(263,753)	(321,074)
	<u>28,395</u>	<u>82,820</u>	<u>41,621</u>	<u>(19,855)</u>

## 22. Capital adequacy

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

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

### 30 June 2013 - Basel III

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

	Hong Leong Bank Group	Hong Leong Bank Berhad	Hong Leong Investment Bank Berhad
<b>Before deducting proposed dividends</b>			
CET I capital ratio	10.627%	10.156%	33.194%
Tier I capital ratio	12.319%	12.062%	33.194%
Total capital ratio	<u>15.179%</u>	<u>13.592%</u>	<u>33.288%</u>
<b>After deducting proposed dividends</b>			
CET I capital ratio	10.236%	9.715%	30.099%
Tier I capital ratio	11.927%	11.621%	30.099%
Total capital ratio	<u>14.787%</u>	<u>13.150%</u>	<u>30.193%</u>

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

	Hong Leong Bank Group RM '000	Hong Leong Bank Berhad RM '000	Hong Leong Investment Bank Berhad RM '000
<b>CET I capital</b>			
Paid up share capital	1,879,909	1,879,909	165,000
Share premium	2,832,383	2,832,383	87,950
Retained profit	6,197,372	4,835,280	(15,241)
Other Reserves	2,699,050	2,360,778	154,051
Less : Treasury Shares	(661,809)	(661,809)	-
Less: Other intangible assets	(369,415)	(362,855)	-
Less : Goodwill	(1,831,312)	(1,771,547)	(28,986)
Less : Deferred Tax assets	-	-	(61,978)
Less: Other regulatory adjustments	-	-	(525)
Total CET 1 capital	<u>10,746,178</u>	<u>9,112,139</u>	<u>300,271</u>
<b>Additional Tier I capital</b>			
Non-innovative Tier-1 stapled securities	1,260,000	1,260,000	-
Innovative Tier-1 capital securities	450,000	450,000	-
Total additional Tier-1 capital	<u>1,710,000</u>	<u>1,710,000</u>	<u>-</u>
<b>Total Tier I capital</b>	<u>12,456,178</u>	<u>10,822,139</u>	<u>300,271</u>

## 22. Capital adequacy (continued)

### 30 June 2013 - Basel III (continued)

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

	Hong Leong Bank Group RM '000	Hong Leong Bank Berhad RM '000	Hong Leong Investment Bank Berhad RM '000
<b>Tier 2 Capital</b>			
Redeemable preference shares	-	-	1,631
Collective assessment allowance ^	800,960	666,131	678
Subordinated obligations	3,924,000	3,924,000	-
Total Tier 2 capital	4,724,960	4,590,131	2,309
Less : Investment in subsidiary companies	-	(2,194,913)	(1,455)
Less : Investment in associated company	(1,752,949)	(946,505)	-
Less : Investment in jointly controlled entity	(79,945)	(76,711)	-
	(1,832,894)	(3,218,129)	(1,455)
<b>Total capital</b>	15,348,244	12,194,141	301,125

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

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

	Hong Leong Bank Group RM '000	Hong Leong Bank Berhad RM '000	Hong Leong Investment Bank Berhad RM '000
Credit risk	91,059,541	80,746,066	464,961
Market risk	3,429,463	3,322,591	321,448
Operational risk	6,628,544	5,649,356	118,189
Total RWA	101,117,548	89,718,013	904,598

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

#### Hong Leong Islamic Bank

##### Before deducting proposed dividends

CET I capital ratio	11.070%
Tier I capital ratio	11.070%
Total capital ratio	14.153%

##### After deducting proposed dividends

CET I capital ratio	10.720%
Tier I capital ratio	10.720%
Total capital ratio	13.804%

### Restated 30 June 2012 and 1 July 2011 - Basel II

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/06/2012	01/07/2011	30/06/2012	01/07/2011	30/06/2012	01/07/2011
<b>Before deducting proposed dividends</b>						
Core capital ratio	11.956%	8.756%	12.042%	8.078%	145.495%	77.752%
RWA ratio	15.736%	14.117%	14.340%	11.422%	145.433%	77.728%
<b>After deducting proposed dividends</b>						
Core capital ratio	11.579%	8.561%	11.617%	7.877%	145.495%	77.752%
RWA ratio	15.359%	13.923%	13.915%	11.222%	145.433%	77.728%

## 22. Capital adequacy (continued)

### Restated 30 June 2012 and 1 July 2011 - Basel II (continued)

(b) Components of Tier I and Tier II capital are as follows:

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/06/2012	01/07/2011	30/06/2012	01/07/2011	30/06/2012	01/07/2011
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>Tier I capital</b>						
Paid-up share capital	1,879,909	1,580,107	1,879,909	1,580,107	75,000	75,000
Share premium	2,832,383	539,664	2,832,383	539,664	87,950	87,950
Retained profit	5,356,240	4,166,411	4,284,156	3,430,052	(71,016)	10,832
Other reserves	2,157,549	1,931,653	1,927,506	1,798,885	83,385	83,385
Non-innovative Tier I stapled securities	1,396,630	1,394,665	1,396,630	1,394,665	-	-
Innovative Tier I capital securities	490,292	490,411	488,826	488,745	-	-
Less: Treasury shares	(714,792)	(671,744)	(714,792)	(671,744)	-	-
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	-	(66,663)
Less : Deferred Tax assets	-	-	-	-	(35,271)	(35,317)
<b>Total Tier I capital</b>	<b>11,566,899</b>	<b>7,599,855</b>	<b>10,323,071</b>	<b>6,788,827</b>	<b>140,048</b>	<b>155,187</b>
<b>Tier II capital</b>						
Collective assessment allowance ^	932,830	924,802	735,127	740,857	160	172
Capital cumulative subordinated loan	-	2,300,000	-	2,300,000	-	-
Subordinated obligations	4,341,165	2,829,602	4,340,557	2,828,765	-	-
<b>Total Tier 2 capital</b>	<b>5,273,995</b>	<b>6,054,404</b>	<b>5,075,684</b>	<b>5,869,622</b>	<b>160</b>	<b>172</b>
<b>Total capital</b>	<b>16,840,894</b>	<b>13,654,259</b>	<b>15,398,755</b>	<b>12,658,449</b>	<b>140,208</b>	<b>155,359</b>
Less : Investment in subsidiary companies	-	-	(2,081,933)	(2,035,676)	(220)	(220)
Less : Investment in associated company	(1,540,288)	(1,325,707)	(946,505)	(946,505)	-	-
Less : Investment in jointly controlled entity	(76,871)	(75,252)	(76,711)	(76,711)	-	-
<b>Total capital base</b>	<b>15,223,735</b>	<b>12,253,300</b>	<b>12,293,606</b>	<b>9,599,557</b>	<b>139,988</b>	<b>155,139</b>

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

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/06/2012	01/07/2011	30/06/2012	01/07/2011	30/06/2012	01/07/2011
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit risk	87,900,369	79,504,230	77,788,537	75,130,053	36,496	79,746
Market risk	3,501,182	3,053,245	3,300,893	2,547,302	-	55,130
Operational risk	5,344,452	4,241,563	4,639,177	6,364,159	59,760	64,717
<b>Total RWA</b>	<b>96,746,003</b>	<b>86,799,038</b>	<b>85,728,607</b>	<b>84,041,514</b>	<b>96,256</b>	<b>199,593</b>

## 22. Capital adequacy (continued)

### Restated 30 June 2012 and 1 July 2011 - Basel II (continued)

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

	<b>Hong Leong Islamic Bank</b>	
	<b>30/06/2012</b>	<b>01/07/2011</b>
<b>Before deducting proposed dividends</b>		
Core capital ratio	9.630%	16.557%
RWA ratio	<u>13.490%</u>	<u>17.391%</u>
<b>After deducting proposed dividends</b>		
Core capital ratio	9.343%	15.899%
RWA ratio	<u>13.203%</u>	<u>16.733%</u>

(e) The capital adequacy ratios of Hong Leong Capital Group's subsidiary company are as follows

	<b>Promilia</b>	
	<b>30/06/2012</b>	<b>01/07/2011</b>
<b>Before deducting proposed dividends</b>		
Core capital ratio	26.891%	43.973%
RWA ratio	<u>27.054%</u>	<u>44.269%</u>
<b>After deducting proposed dividends</b>		
Core capital ratio	25.129%	41.081%
RWA ratio	<u>25.292%</u>	<u>41.376%</u>

### 23. Events after Balance Sheet date

- (a) On 4 July 2013, Hong Leong Bank Berhad ("HLB"), a subsidiary of HLFGB, announced that Hong Leong Bank (Cambodia) PLC ("HLBCAM"), a wholly-owned subsidiary of HLB, had been granted the license to carry out banking operations in the Kingdom of Cambodia by the National Bank of Cambodia. HLBCAM commenced operations on 8 July 2013.
- (b) On 25 July 2013, HLB proposed to establish an executive share grant scheme for the eligible executives and/or Directors of HLB and its subsidiaries ("Proposed HLB ESGS").

The Proposed HLB ESGS is subject to approvals being obtained from the following:

- (i) the shareholders of HLB;
  - (ii) Bursa Malaysia Securities Berhad ("Bursa Securities"), for the listing of and quotation for the new HLB shares to be issued pursuant to the vesting of Grants under the Proposed HLB ESGS; and
  - (iii) other relevant authorities/parties, if required.
- (c) On 29 July 2013, HLFGB proposed to establish an executive share grant scheme for the eligible executives and/or Directors of HLFGB and its subsidiaries ("Proposed HLFGB ESGS").

The Proposed HLFGB ESGS is subject to approvals being obtained from the following:

- (i) the shareholders of HLFGB;
- (ii) Bursa Securities, for the listing of and quotation for the new HLFGB shares to be issued pursuant to the vesting of Grants under the Proposed HLFGB ESGS; and
- (iii) other relevant authorities/parties, if required.

### 24. Changes in composition of the Group

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

- (a) On 24 July 2012, HLFGB announced that the Company had, on 23 July 2012, incorporated a wholly-owned subsidiary known as HLFGB Principal Investments (L) Limited ("HLFGPI") in the Federal Territory of Labuan with an issued and paid-up share capital of USD100.
- (b) Following the vesting of the entire assets, liabilities, activities, business and undertakings of Promilia Berhad (formerly known as Hong Leong Investment Bank Berhad) ["Promilia"] to Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad ["HLIB"]) on 29 September 2012, all of the direct subsidiaries of Promilia had become direct subsidiaries of HLIB.

- (c) Dissolution of the following wholly-owned subsidiaries of HLB:

<u>Name of Subsidiary</u>	<u>Date of Dissolution</u>
(i) CFB Nominees (Tempatan) Sdn Bhd	26 September 2012
(ii) Oriental Nominee (Tempatan) Sdn Bhd	26 September 2012
(iii) Perkasa Nominees (Tempatan) Sdn Bhd	1 March 2013
(iv) PFB Asa Berhad	1 March 2013
(v) EFB Berhad	1 May 2013

- (d) HLFGB announced that HLA Holdings Sdn Bhd, a wholly-owned subsidiary of the Company, had on 3 December 2012 incorporated a wholly-owned subsidiary known as HL Assurance Pte. Ltd. in Singapore with an issued and paid-up share capital of SGD2 comprising 2 ordinary shares. The intended activity for HL Assurance Pte. Ltd. is to carry out general insurance business.
- (e) HLB had, on 1 March 2013, announced the incorporation of HLBCAM, a wholly-owned subsidiary in Cambodia on 18 February 2013, with a capital of USD37,500,000 which is approximately equivalent to RM116,175,000. HLBCAM had been granted the license to carry out banking operations by the National Bank of Cambodia and commenced operations on 8 July 2013.
- (f) HLFGB writes to inform that HLFGB Principal Investments (L) Limited ("HLFGPI"), a wholly owned subsidiary of HLFGB, has on 28 June 2013 entered into a joint venture agreement with CIMB Strategic Assets Sdn Bhd ("CIMBSA"), a wholly owned subsidiary of CIMB Group Holdings Berhad, to establish a joint venture investment holding company to be incorporated in Labuan ("Joint Venture Entity"), in which CIMBSA and HLFGPI will each hold 50% of the equity interests respectively.

The Joint Venture Entity will be called Bangsar Capital Holdings (L) Limited and will seek to establish and manage a private equity fund.



## 25. Commitments and contingencies

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

The notional/principal amount of the commitments and contingencies constitute as follows:

	30/06/2013 RM'000	Group 30/06/2012 RM'000	01/07/2011 RM'000
Direct credit substitutes	333,012	494,801	559,290
Certain transaction related contingent items	1,629,933	1,410,727	1,394,682
Short-term self liquidating trade related contingencies	891,468	1,557,667	616,404
Forward asset purchases	-	71,513	-
Underwriting obligation	65,000	-	92,238
Irrevocable commitments to extend credit:			
-maturity more than 1 year	14,108,639	12,720,869	12,488,631
-maturity less than 1 year	17,331,901	17,750,840	17,617,166
Any commitments that are unconditionally cancellable at any time by the Group without prior notice	507,022	304,099	302,249
Foreign exchange related contracts			
- less than one year	41,066,842	38,678,198	36,380,533
- one year to less than five years	3,649,055	1,292,411	1,854,371
- five years and above	603,465	686,519	250,376
Interest rate related contracts			
- less than one year	17,857,027	14,376,287	13,318,799
- one year to less than five years	45,275,873	44,441,902	38,049,651
- five years and above	14,773,860	10,798,842	9,756,310
Equity related contracts			
- less than one year	54,168	69,293	208,621
- one year to less than five years	10,000	19,748	16,600
Unutilised credit card lines	8,331,904	9,200,627	9,296,768
Others	636,675	461,001	413,827
Total	<u>167,125,844</u>	<u>154,335,344</u>	<u>142,616,516</u>

The Company's commitments and contingencies

	Principal Amount 30/06/2013 RM'000	Company Principal Amount 30/06/2012 RM'000	Principal Amount 01/07/2011 RM'000
Forward foreign exchange	167,360	247,642	202,970
Interest rate swaps	800,000	800,000	600,000
Cross currency swaps	-	118,030	118,030
	<u>967,360</u>	<u>1,165,672</u>	<u>921,000</u>

- 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 30 June 2013.

## 26. Related party transactions

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

## 27. Change in comparatives

### (a) Adoption of MFRS

The Group and the Company have not taken advantage of certain mandatory exceptions and optional exceptions provided in MFRS 1 "First time adoption of MFRS" ("MFRS 1") for the first time adoption of MFRS, except for those mentioned below.

#### (i) MFRS 1 mandatory exceptions

##### Estimates

MFRS estimates as at transition date is consistent with the estimates as at the same date made in conformity with FRS.

#### (ii) MFRS 1 exception options

##### Exemption for business combinations

MFRS 1 provides the option to apply MFRS 3 'Business Combinations' prospectively for business combination that occurred from the transition date or from a designated date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date or a designated date prior to the transition date. The Group elected to apply MFRS 3 prospectively to business combinations that occurred after 1 July 2011. Business combinations that occurred prior to 1 July 2011 have not been restated. In addition, the Group has also applied MFRS 127 'Consolidated and separate financial statements' from the same date.

##### Exemption for deemed cost investment in subsidiaries

In accordance with the exemption in MFRS 1, the Company elected to measure certain of its investment in subsidiaries at fair value as deemed cost as at transition date.

##### Designation of previously recognised financial instruments

MFRS 1 allows an entity to designate a previously recognised financial instrument as available-for-sale or fair value through profit or loss on the transition date, provided the criteria in MFRS 139 "Financial Investment: Recognition and Measurement" are met. Consequently, the Group has designated previously recognised financial investments available-for-sale with fair value amount of RM 273,253,000 as financial assets held-for-trading at transition date. The Group has also designated a previously held financial investments held-to-maturity to financial investments available-for-sale. The fair value and the carrying amount of the financial investments at transition date are RM65,741,000 and RM63,745,000 respectively for the Group.

#### (iii) Reconciliation of MFRS 1 adjustments to total equity, total comprehensive income and statements of cash flows.

MFRS 1 requires an entity to reconcile equity, total comprehensive income and statements of cash flows for prior years. The following tables represent the reconciliations from FRS to MFRS for the respective years noted:

##### **Reconciliation of Total Equity**

	<b>Group</b>	
	<b>As at 30/06/2012 RM '000</b>	<b>As at 01/07/2011 RM '000</b>
Equity as reported under FRS	12,546,634	10,262,538
<u>Add/(less): Transitioning adjustments:</u>		
Redesignation of financial instruments held-to-maturity to available-for-sale	1,246	(231)
Unallocated surplus and available-for-sale reserve of non Discretionary Participating Features ("DPF")	309,751	277,171
Effect of full adoption of MFRS 139	194,068	126,353
Non-controlling interest	230,005	183,056
Equity on transition to MFRS	<u>13,281,704</u>	<u>10,848,887</u>

## 27. Change in comparatives (continued)

### (a) Adoption of MFRS (continued)

- (iii) Reconciliation of MFRS 1 adjustments to total equity, total comprehensive income and statements of cash flows (continued)

#### Reconciliation of Total Equity (continued)

	Company	
	As at 30/06/2012 RM '000	As at 01/07/2011 RM '000
Equity as reported under FRS	2,607,406	2,709,678
<u>Add: Transitioning adjustments:</u>		
Deemed cost investment in subsidiaries	11,144,592	11,144,592
Equity on transition to MFRS	13,751,998	13,854,270

#### Reconciliation of Total Comprehensive Income

	Group 30/06/2012 RM '000
Total comprehensive income as reported under FRS	1,781,350
<u>Add/(less): Transitioning adjustments:</u>	
Effect of full adoption of MFRS 139	96,306
Redesignation of financial investments available-for-sale to held-for-trading	(322)
Redesignation of financial instruments held-to-maturity to available-for-sale	8,319
Unallocated surplus and available-for-sale reserve of non DPF	44,248
Income tax arising from transitional adjustments	170
Total comprehensive income upon transition to MFRS	1,930,071

#### Impact to Statement of Cash Flows

The transition from FRS to MFRS has had no significant effect on the reported cash flows generated by the Group and the Company.

### (b) Change in accounting policies

- (i) MFRS 139 Financial Instruments: Recognition and Measurement

#### Write-back of collective assessment arising from removal of transitional provision

Previously, the Group applied the Amendment to FRS 139, which included an additional transitional arrangement for financial sectors, whereby the Bank Negara Malaysia ('BNM') may prescribed the use of an alternative basis for collective assessment of impairments on loan, advances and financing. This transitional arrangement is prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010, whereby banking institutions are required to maintain collective allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowances under the transitional provisions in the guidelines.

With effective from 1 January 2012, BNM has removed the transitional provision for banking institution on collective evaluation of loan impairment assessment and loan loss provisioning to comply with MFRS 139 requirements. Under MFRS 139, collective assessment is performed on loans which were not individually assessed and where there is no objective evidence of impairment are also included in the group of loans for collective assessment. These loans are pooled into groups with similar credit risk characteristics and the future cash flows for each group is estimated on the basis of the historical loss experience for such assets and discounted to present value. Collective assessment allowance is made on any shortfall in these discounted cash flows against the carrying value of the group of loans.

This change in accounting policy has been accounted for retrospectively in the financial statements.

#### Designation of previously recognised financial instruments

Upon the adoption of MFRS 139 under the MFRS framework, the Group has assessed and designated previously recognised financial investments HTM as financial investments AFS on the basis of the facts and circumstances that exist as at acquisition date. As at 30 June 2012, the aggregate carrying amount of financial investments HTM amounting to RM158,780,000 were designated to available-for-sale with fair value of RM164,732,000.

## 27. Change in comparatives (continued)

### (b) Change in accounting policies (continued)

#### (ii) MFRS 4 "Insurance Contract"

Under the previous financial reporting framework, FRS, HLA recognised unallocated surplus and AFS reserves of non-DPF insurance contract as part of actuarial insurance contract liabilities as required under Guideline BNM\_GL\_003-28 Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM") on 22 July 2010.

Following the transition from FRS to MFRS and in accordance with MFRS 4 "Insurance Contract", the Group and the insurance subsidiaries classified the unallocated surplus and AFS reserves of non-DPF insurance contracts as equity of the company. This change in accounting policy is applied retrospectively.

#### (iii) Financial Reporting Standards Implementation Committee ("FRSIC") Consensus 18

According to FRSIC 18, although a participating organisation is required by Capital Markets and Services Act (CMSA), 2007 and Bursa Securities Rules to maintain the trust account, it does not have any contractual or statutory obligation to its clients on the money deposited in the trust account that would result in an outflow of resources embodying economic benefits from the participating organisation. In addition, a participating organisation is prohibited under the provisions contained in Section 113 of CMSA 2007 to utilise the monies either for its own economic benefits or settlement of its own liability. The monies are also not available for distribution in the event the participating organisation is liquidated. As such, a participating organisation does not have any control over the trust monies to obtain the future economic benefits embodied in the trust monies. Accordingly, the trust monies should not be recognised as part of the participating organisation's asset with a corresponding liability.

Previously, monies held in trust forms part of the assets in the financial statements with a corresponding liability. Upon adoption of FRSIC 18, the monies held in trust are no longer included in the assets with corresponding liabilities in the financial statements of the Group.

The impact of the above to the financial statements of the Group and the Company are set out as follows:

	<b>Group</b>					<b>As restated RM'000</b>
	<b>As previously reported RM'000</b>	<b>Effect of adopting MFRS 1 RM'000</b>	<b>Effect of full adoption of MFRS 139 RM'000</b>	<b>Effect of adopting MFRS 4 RM'000</b>	<b>Effect of adopting FRSIC 18 RM'000</b>	
<b>As at 30 June 2012</b>						
<b>Statement of financial position</b>						
<b>Assets</b>						
Cash and short term funds	21,582,839	-	-	-	(461,800)	21,121,039
Financial assets held-for-trading	23,066,887	273,253	-	-	-	23,340,140
Financial investments available-for-sale	15,393,755	(207,512)	164,732	-	-	15,350,975
Financial investments held-to-maturity	4,587,966	(63,745)	(158,780)	-	-	4,365,441
Loans, advances and financing						
- Net loans, advances and financing	89,120,706	-	382,868	-	9,381	89,512,955
- Collective impairment allowances	(1,885,320)	-	382,868	-	-	(1,502,452)
Clients' and brokers' balances	269,404	-	(144)	-	-	269,260
Other receivables	661,131	-	-	-	799	661,930
<b>Liabilities</b>						
Clients' and brokers' balances	590,071	-	-	-	(451,620)	138,451
Provision for taxation	164,331	(2,958)	67,594	-	-	228,967
Deferred tax liabilities	106,196	3,457	29,182	99,498	-	238,333
Insurance funds	6,620,850	-	-	(541,171)	-	6,079,679
<b>Statement of changes in equity</b>						
Fair value reserves	97,530	46,180	3,716	32,080	-	179,506
Retained profits	5,562,666	(44,934)	190,352	277,671	-	5,985,755
Non-controlling interests	4,153,189	251	97,832	131,922	-	4,383,194

27. Change in comparatives (continued)

	Group					As restated RM'000
	As previously reported RM'000	Effect of adopting MFRS 1 RM'000	Effect of full adoption of MFRS 139 RM'000	Effect of adopting MFRS 4 RM'000	Effect of adopting FRSIC 18 RM'000	
<b>As at 1 July 2011</b>						
<b>Statement of financial position</b>						
<b>Assets</b>						
Cash and short term funds	32,424,991	-	-	-	(413,558)	32,011,433
Financial assets held-for-trading	6,974,724	173,256	-	-	-	7,147,980
Financial investments available-for-sale	10,798,973	(113,057)	-	-	-	10,685,916
Financial investments held-to-maturity	8,108,198	(60,570)	-	-	-	8,047,628
Loans, advances and financing						
- Net loans, advances and financing	82,240,056	-	254,846	-	-	82,494,902
- Collective impairment allowances	(1,791,958)	-	254,846	-	-	(1,537,112)
Clients' and brokers' balances	236,393	-	(7)	-	-	236,386
Other receivables	1,157,553	-	-	-	(269)	1,157,284
<b>Liabilities</b>						
Clients' and brokers' balances	591,595	-	-	-	(413,827)	177,768
Provision for taxation	80,575	(3,277)	53	-	-	77,351
Deferred tax (assets)/liabilities	(72,694)	3,184	63,656	88,232	-	82,378
Insurance funds	5,834,179	-	-	(483,729)	-	5,350,450
<b>Statement of changes in equity</b>						
Fair value reserves	88,880	22,873	-	36,133	-	147,886
Retained profits	4,911,368	(23,104)	126,353	241,038	-	5,255,655
Non-controlling interests	2,791,539	(47)	64,777	118,326	-	2,974,595

	Company					As restated RM'000
	As previously reported RM'000	Effect of adopting MFRS 1 RM'000	Effect of full adoption of MFRS 139 RM'000	Effect of adopting MFRS 4 RM'000	Effect of adopting FRSIC 18 RM'000	
<b>As at 30 June 2012</b>						
<b>Statement of financial position</b>						
Investment in subsidiary companies	4,095,940	11,144,592	-	-	-	15,240,532
<b>Statement of changes in equity</b>						
Retained profits	1,217,425	11,144,592	-	-	-	12,362,017
<b>As at 1 July 2011</b>						
<b>Statement of financial position</b>						
Investment in subsidiary companies	2,393,350	11,144,592	-	-	-	13,537,942
<b>Statement of changes in equity</b>						
Retained profits	1,326,919	11,144,592	-	-	-	12,471,511

**27. Change in comparatives (continued)**

	Group					As restated RM'000
	As previously reported RM'000	Effect of adopting MFRS 1 RM'000	Effect of adopting MFRS 3 RM'000	Effect of adopting MFRS 4 RM'000	Effect of full adoption of MFRS 139 RM'000	
<b>For the financial year ended 30 June 2012</b>						
<b>Statement of income</b>						
Non interest income	1,092,869	(38,553)	-	64,502	-	1,118,818
Allowances for impairment losses on loans, advances and financing and other losses	(108,030)	-	-	-	127,885	19,855
Writeback of impairment loss	22,147	17,368	-	-	-	39,515
Profit before taxation and zakat	2,222,546	(21,185)	-	64,502	127,885	2,393,748
Taxation	(495,875)	(320)	-	(12,536)	(31,579)	(540,310)
Net profit for the financial year	1,726,671	(21,505)	-	51,966	96,306	1,853,438
Attributable to:						
Owners of the parents	1,154,766	(21,830)	-	36,633	63,999	1,233,568
Non-controlling interest	571,905	325	-	15,333	32,307	619,870
Earnings per share for profit attributable to ordinary equity holders of the Group (sen)						
- basic	111.1	(2.1)	-	3.5	6.1	118.6
- fully diluted	110.5	(2.1)	-	3.5	6.1	118.0
<b>Statement of comprehensive income</b>						
Net profit for the financial year	1,726,671	(21,505)	-	51,966	96,306	1,853,438
Net fair value changes on financial investments available-for-sale	66,848	29,502	-	(7,718)	-	88,632
Income tax relating to components of other comprehensive expenses/(income)	(26,108)	(1,760)	-	1,930	-	(25,938)
Total comprehensive income for the financial year, net of tax	1,781,350	6,237	-	46,178	96,306	1,930,071
Attributable to:						
Owners of the parents	1,177,291	5,192	-	32,580	64,000	1,279,063
Non-controlling interest	604,059	1,045	-	13,597	32,306	651,008

	Group					As restated RM'000
	As previously reported RM'000	Effect of adopting MFRS 1 RM'000	Effect of adopting MFRS 3 RM'000	Effect of adopting MFRS 4 RM'000	Effect of full adoption of MFRS 139 RM'000	
<b>For the financial quarter ended 30 June 2012</b>						
<b>Statement of income</b>						
Non interest income	338,989	(18,669)	-	(32,166)	-	288,154
Overhead expenses	(522,142)	-	25,889	-	-	(496,253)
Allowances for impairment losses on loans, advances and financing and other losses	(66,092)	-	-	-	(16,728)	(82,820)
Writeback of impairment loss	9,851	17,368	-	-	-	27,219
Profit before taxation and zakat	585,348	(1,301)	25,889	(32,166)	(16,728)	561,042
Taxation	(130,277)	(1,779)	(6,472)	5,831	4,577	(128,120)
Net profit for the financial year	455,071	(3,080)	19,417	(26,335)	(12,151)	432,922
Attributable to:						
Owners of the parents	273,695	(4,883)	12,862	(18,177)	(7,892)	255,605
Non-controlling interest	181,376	1,802	6,554	(8,157)	(4,259)	177,316
Earnings per share for profit attributable to ordinary equity holders of the Group (sen)						
- basic	26.3	(0.5)	1.2	(1.6)	(0.8)	24.6
- fully diluted	26.2	(0.5)	1.2	(1.6)	(0.8)	24.5
<b>Statement of comprehensive income</b>						
Net profit for the financial year	455,071	(3,080)	19,417	(26,335)	(12,151)	432,922
Net fair value changes on financial investments available-for-sale	33,164	6,471	-	(69,427)	-	(29,792)
Income tax relating to components of other comprehensive expenses/(income)	(9,996)	2,847	-	14,271	-	7,122
Total comprehensive income for the financial year, net of tax	514,562	6,238	19,417	(81,491)	(12,151)	446,575
Attributable to:						
Owners of the parents	297,878	5,201	12,862	(56,787)	(7,892)	251,262
Non-controlling interest	216,684	1,037	6,554	(24,703)	(4,259)	195,313

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

**1 Review of performance**

**Current quarter against previous corresponding quarter**

With effect from 1 July 2012, the Group and the Company had adopted Malaysian accounting standards which have converged with International accounting standards. The adoption of MFRS as set out below, has resulted in the restatement of the previous corresponding quarter financial results to provide an apple-to-apple comparison.

- i. MFRS 1 - First Time Adoption of MFRS
- ii. MFRS 139 - Financial Instruments: Recognition and Measurement - Accounting Policy on Collective Assessment Allowance for Loans, Advances and Financing

The Group had also finalised the fair value exercise and purchase price allocation in respect of the acquisition of assets and liabilities of EON Capital Berhad as allowed by MFRS 3 "Business Combinations". Arising from this, certain comparatives have also been restated in the previous corresponding period. It should also be noted that during the financial year, the Group has also adopted the revised Bank Negara Malaysia ("BNM") Guidelines on Financial Reporting for Insurers.

The impact on adoption of the above accounting standards and changes to the Group and the Company are disclosed in Note 27 of the Condensed Financial Statement.

HLFG Group recorded a profit before tax of RM565.4 million for the current quarter ended 30 June 2013 as compared to RM561.0 million in the previous corresponding quarter with an increase of RM4.4 million or 0.8%.

Hong Leong Bank Group recorded a higher profit before tax of RM529.3 million for the current quarter ended 30 June 2013 as compared to RM518.2 million in the previous corresponding quarter, an increase of RM11.1 million or 2.1%. The increase was mainly due to lower allowance for impairment losses on loans, advances and financing of RM56.8 million and higher net income of RM19.3 million coupled with a higher share of profit from Bank of Chengdu and the Sichuan Jincheng Consumer Finance joint venture totalling RM14.7 million. This was offset by higher operating expenses of RM44.5 million and lower write back of impairment losses of RM35.3 million.

Hong Leong Capital Group recorded a profit before tax of RM21.9 million for the current quarter ended 30 June 2013 as compared to RM16.1 million in the previous corresponding quarter, an increase of RM5.8 million or 36.0%. This was mainly due to higher contributions from the investment banking division.

HLA Holdings Group registered a profit before tax of RM55.8 million for the current quarter ended 30 June 2013 as compared to RM76.1 million in the previous corresponding quarter, a decrease of RM20.3 million or -26.7%. The decrease was mainly due to lower net income of RM22.3 million arising mainly from higher reserves requirements due to lower interest rates. This was offset by lower overhead expenses of RM1.6 million.

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

HLFG Group recorded a profit before tax of RM2,630.0 million for the year ended 30 June 2013 as compared to RM2,393.7 million in the previous corresponding year, with an increase of RM236.3 million or 9.9%. This was a good performance contributed mainly by Hong Leong Bank Group amidst post EON merger integration activities.

Hong Leong Bank Group recorded a higher profit before tax of RM2,392.9 million for the year ended 30 June 2013 as compared to RM2,236.2 million in the previous corresponding year, an increase of RM156.7 million or 7.0%. The increase was due to higher net income by RM129.2 million, lower operating expenses of RM77.9 million and higher share of profit from Bank of Chengdu and the Sichuan Jincheng Consumer Finance joint venture totalling RM48.5 million. This is however mitigated by higher allowance for impairment losses on loans, advances and financing of RM56.2 million coupled with lower write back of impairment losses of RM42.6 million.

Hong Leong Capital Group recorded a profit before tax of RM67.9 million for the year ended 30 June 2013 as compared to RM51.5 million in the previous corresponding year, an increase of RM16.4 million or 31.8%. This was mainly due to higher contribution from its investment banking division, offset against higher overheads and provisions from the asset management unit.

HLA Holdings Group registered a profit before tax of RM183.9 million for the year ended 30 June 2013 as compared to RM208.8 million in the previous corresponding year, a decrease of RM24.9 million or -11.9%. The decrease was mainly due to lower net income of RM51.1 million (higher reserves requirements due to lower interest rates), offset with lower overhead expenses of RM20.0 million and higher share of profit from associated company by RM6.5 million.

### 3 Current quarter against preceding quarter

HFLG Group recorded a profit before taxation of RM565.4 million for the current quarter ended 30 June 2013 as compared to RM618.5 million for the preceding quarter, a decrease of RM53.1 million or -8.6%. The overall decrease in profit before tax was mainly coming from the Group's banking division.

The Hong Leong Bank Group recorded a profit before tax of RM529.3 million for the current quarter ended 30 June 2013 as compared to RM587.9 million in the preceding quarter, a decrease of RM58.6 million arising from lower net income of RM49.9 million and higher operating expenses of RM36.6 million. This was offset by lower allowance for impairment losses on loans, advances and financing of RM13.0 million, higher write back of impairment losses of RM2.3 million coupled with higher share of profit from Bank of Chengdu and the Sichuan Jincheng Consumer Finance joint venture of RM12.6 million.

The Hong Leong Capital Group recorded a profit before tax of RM21.9 million for the current quarter ended 30 June 2013 as compared to RM19.6 million in the preceding quarter, an increase of RM2.3 million or 11.7%. This was mainly due to higher contribution from its investment banking division.

The HLA Holdings Group recorded a profit before tax of RM55.8 million for the current quarter ended 30 June 2013 as compared to RM23.7 million in the preceding quarter, an increase of RM32.1 million or 135.4%. The increase was mainly due to higher net income of RM38.7 million arising mainly from higher interest rates resulting in lower reserves. This was offset with higher overhead expenses of RM5.4 million and higher impairment loss of RM1.2 million.

### 4 Prospects for the next financial year

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

### 5 Variance of actual profit from forecasted profit

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

### 6 Taxation

Provision based on profits for the financial year 30 June 2013

	Group		Group	
	Current quarter ended 30/06/2013 RM '000	Restated Last year quarter ended 30/06/2012 RM '000	Current year to date 30/06/2013 RM '000	Restated Last year to date 30/06/2012 RM '000
Tax expense				
Malaysia – current	(90,740)	(127,131)	(515,247)	(510,025)
Transfer to/(from) deferred tax	95,898	(114,338)	70,037	(143,634)
	5,158	(241,469)	(445,210)	(653,659)
Prior year under provision - Malaysia	(16,837)	113,349	(20,055)	113,349
	(11,679)	(128,120)	(465,265)	(540,310)
	Company		Company	
	Current quarter ended 30/06/2013 RM '000	Last year quarter ended 30/06/2012 RM '000	Current year to date 30/06/2013 RM '000	Last year to date 30/06/2012 RM '000
Tax expense				
Malaysia – current	17,108	13,000	(102,762)	(61,742)
Transfer to deferred tax	4,977	-	4,977	-
	22,085	13,000	(97,785)	(61,742)

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



## 7 Sale of properties/unquoted investments

There 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 at the latest practicable date which was not earlier than 7 days from the issue of this report, other than as mentioned below:-

- (a) On 25 July 2013, HLB proposed to establish an executive share grant scheme for the eligible executives and/or Directors of HLB and its subsidiaries ("Proposed HLB ESGS").

The Proposed HLB ESGS is subject to approvals being obtained from the following:

- (i) the shareholders of HLB;
- (ii) Bursa Malaysia Securities Berhad ("Bursa Securities"), for the listing of and quotation for the new HLB shares to be issued pursuant to the vesting of Grants under the Proposed HLB ESGS; and
- (iii) other relevant authorities/parties, if required.

- (b) On 29 July 2013, HLFG proposed to establish an executive share grant scheme for the eligible executives and/or Directors of HLFG and its subsidiaries ("Proposed HLFG ESGS").

The Proposed HLFG ESGS is subject to approvals being obtained from the following:

- (i) the shareholders of HLFG;
- (ii) Bursa Securities, for the listing of and quotation for the new HLFG shares to be issued pursuant to the vesting of Grants under the Proposed HLFG ESGS; and
- (iii) other relevant authorities/parties, if required.

## 10 Group borrowings

The Group borrowings include:

	<b>As at 30/06/2013 RM '000</b>	<b>As at 30/06/2012 RM '000</b>	<b>As at 01/07/2011 RM '000</b>
Borrowings	3,526,161	1,744,338	2,214,240
Subordinated obligations	4,873,509	4,369,385	2,885,028
Senior Bonds	1,902,171	1,907,793	910,810
Non-innovative Tier 1 stapled securities	1,408,992	1,407,283	1,405,706
Innovative Tier 1 capital securities	556,042	574,581	595,720
	<u>12,266,875</u>	<u>10,003,380</u>	<u>8,011,504</u>

### Borrowings

- (i) 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 paper ("CP") programme of up to RM1,800 million in nominal value (the "CP Programme"); and
- (ii) a medium term note ("MTN") 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.

As at 30 June 2013, the Company has issued RM625 million of CPs and RM550 million MTNs.

- (ii) On 1 December 2009, HLAH appointed CIMB to create and issue up to RM2.0 billion in nominal value of medium term notes ("MTN") under a proposed MTN Programme to raise funds for investment purpose.

On 23 April 2010, the Securities Commission has approved the application subject to certain operational terms and conditions being fulfilled.

On 14 August 2012, HLAH completed its RM2.0 billion MTN issuance. The MTN has a maturity of 5 years and has a call option to redeem the MTN at anytime.

## 10 Group borrowings (continued)

### Subordinated bonds

	Note	As at 30/06/2013 RM '000	As at 30/06/2012 RM '000	As at 01/07/2011 RM '000
RM700 million Tier 2 subordinated debt, at par	(a)	685,000	680,000	680,000
Add: Interest payable		11,977	12,734	12,565
		<u>696,977</u>	<u>692,734</u>	<u>692,565</u>
Less: Unamortised discounts		(741)	(1,603)	(2,792)
		<u>696,236</u>	<u>691,131</u>	<u>689,773</u>
RM1.0 billion Tier 2 subordinated debt, at par	(b)	1,000,000	1,000,000	1,000,000
Add: Interest payable		6,674	6,555	6,793
		<u>1,006,674</u>	<u>1,006,555</u>	<u>1,006,793</u>
Less: Unamortised discounts		(1,341)	(2,436)	(3,856)
		<u>1,005,333</u>	<u>1,004,119</u>	<u>1,002,937</u>
Subordinated medium term notes, at par	(c)	1,160,000	1,160,000	1,160,000
Add: Interest payable		9,307	9,267	8,983
		<u>1,169,307</u>	<u>1,169,267</u>	<u>1,168,983</u>
Less: Unamortised discounts		(6,985)	(14,214)	(23,750)
Add: Fair value adjustments on completion of business combination accounting		3,829	18,000	47,085
		<u>1,166,151</u>	<u>1,173,053</u>	<u>1,192,318</u>
RM1.5 billion Tier 2 subordinated debt, at par	(d)	1,500,000	1,500,000	-
Add: Interest payable		1,295	1,664	-
		<u>1,501,295</u>	<u>1,501,664</u>	<u>-</u>
Less: Unamortised discounts		(2,271)	(582)	-
		<u>1,499,024</u>	<u>1,501,082</u>	<u>-</u>
RM500 million Tier 2 subordinated debt, at par	(e)	500,000	-	-
Add: Interest payable		8,815	-	-
		<u>508,815</u>	<u>-</u>	<u>-</u>
Less: Unamortised discounts		(2,050)	-	-
		<u>506,765</u>	<u>-</u>	<u>-</u>
		<u>4,873,509</u>	<u>4,369,385</u>	<u>2,885,028</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 HLB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLB in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLB.

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

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

## 10 Group borrowings (continued)

### Subordinated bonds (continued)

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

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

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

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

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

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

- (e) On 19 September 2012, Hong Leong Assurance Berhad ("HLA") appointed Hong Leong Investment Bank Berhad to create and issue up to RM500 million in nominal value of Subordinated Notes ("Sub-Notes") under a proposed Subordinated Notes Programme to raise funds for general working capital and/or business operations purpose.

On 20 March 2013, the Securities Commission approved the application subject to certain operational terms and conditions being fulfilled.

On 7 February 2013, the HLA completed its RM500 million Sub-Notes issuance. The Sub-Notes were issued for a period of 12 years on a 12 non-callable 7 basis with a coupon rate of 4.5% per annum.

The Sub-Notes are classified as tier 2 capital under Risk-Based Capital Framework for Insurers.

## 10 Group borrowings (continued)

### Senior Bonds

	Note	As at 30/06/2013 RM '000	As at 30/06/2012 RM '000	As at 01/07/2011 RM '000
USD 300 million senior bonds, at par	(a)	916,350	916,350	916,350
USD 300 million senior bonds, at par	(b)	919,200	919,200	-
Foreign exchange translations		60,150	69,750	(9,750)
		<u>1,895,700</u>	<u>1,905,300</u>	<u>906,600</u>
Add: Interest payable		16,192	16,274	9,822
		<u>1,911,892</u>	<u>1,921,574</u>	<u>916,422</u>
Less: Unamortised discounts		(9,721)	(13,781)	(5,612)
		<u><u>1,902,171</u></u>	<u><u>1,907,793</u></u>	<u><u>910,810</u></u>

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

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

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

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

### Non-innovative Tier 1 stapled securities

	As at 30/06/2013 RM '000	As at 30/06/2012 RM '000	As at 01/07/2011 RM '000
RM1.4 billion Non-Innovative Tier 1 stapled securities, at par	1,400,000	1,400,000	1,400,000
Add: Interest payable	10,847	10,653	11,041
	<u>1,410,847</u>	<u>1,410,653</u>	<u>1,411,041</u>
Less: Unamortised discounts	(1,855)	(3,370)	(5,335)
	<u><u>1,408,992</u></u>	<u><u>1,407,283</u></u>	<u><u>1,405,706</u></u>

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

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

## 10 Group borrowings (continued)

### Innovative Tier 1 capital securities

	As at 30/06/2013 RM '000	As at 30/06/2012 RM '000	As at 01/07/2011 RM '000
RM500 million Innovative Tier 1 capital securities, at par	500,000	500,000	500,000
Add: Interest payable	12,658	12,545	12,658
	<u>512,658</u>	<u>512,545</u>	<u>512,658</u>
Less: Unamortised discounts	(10,012)	(9,708)	(9,589)
Add: Fair value adjustments on completion of business combination accounting	53,396	71,744	92,651
	<u>556,042</u>	<u>574,581</u>	<u>595,720</u>

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

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

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

## 11 Off-Balance Sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 30 June 2013

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
<b>Foreign exchange related contracts</b>			
- Forwards			
(i) Less than 1 year	29,343,705	233,292	(253,048)
(ii) 1 year to 3 years	146,596	327	(2,392)
(iii) More than 3 years	-	-	-
- Swaps			
(i) Less than 1 year	7,796,446	57,962	(110,682)
(ii) 1 year to 3 years	989,845	13,347	(13,938)
(iii) More than 3 years	2,864,735	70,888	(85,567)
- Options			
(i) Less than 1 year	3,914,051	32,849	(30,562)
(ii) 1 year to 3 years	251,343	4,896	(4,896)
(iii) More than 3 years	-	-	-
- Spots			
(i) Less than 1 year	12,641	12	(2)
(ii) 1 year to 3 years	-	-	-
<b>Interest rate related contracts</b>			
- Futures			
(i) Less than 1 year	2,284,068	1,981	(2,151)
(ii) 1 year to 3 years	560,000	387	(803)
(iii) More than 3 years	81,462	53	(12)
- Swaps			
(i) Less than 1 year	16,247,960	23,705	(30,455)
(ii) 1 year to 3 years	25,452,166	68,050	(104,746)
(iii) More than 3 years	33,281,104	392,270	(368,565)
<b>Equity related contracts</b>			
(i) Less than 1 year	54,168	1,602	(1,602)
(ii) 1 year to 3 years	10,000	4,862	-
(iii) More than 3 years	-	-	-
<b>Total</b>	<b>123,290,290</b>	<b>906,483</b>	<b>(1,009,421)</b>

## 11 Off-Balance Sheet financial instruments (continued)

Details of financial instruments with off-balance sheet risk as at 30 June 2012

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	26,829,897	136,747	(223,706)
(ii) 1 year to 3 years	27,944	-	(408)
(iii) More than 3 years	-	-	-
- Swaps			
(i) Less than 1 year	7,643,081	101,796	(51,221)
(ii) 1 year to 3 years	753,223	3,438	(10,444)
(iii) More than 3 years	1,220,814	40,122	(46,653)
- Options			
(i) Less than 1 year	3,957,578	21,620	(22,096)
(ii) 1 year to 3 years	224,591	4,746	(4,746)
(iii) More than 3 years	-	-	-
Interest rate related contracts			
- Futures			
(i) Less than 1 year	4,732,051	86	(1,687)
(ii) 1 year to 3 years	2,131,431	7,754	(17,019)
(iii) More than 3 years	107,189	111	(323)
- Swaps			
(i) Less than 1 year	10,319,236	26,384	(40,779)
(ii) 1 year to 3 years	22,748,629	124,236	(165,247)
(iii) More than 3 years	29,578,495	510,794	(552,781)
Equity related contracts			
(i) Less than 1 year	69,293	796	(796)
(ii) 1 year to 3 years	9,748	-	-
(iii) More than 3 years	10,000	2,250	-
<b>Total</b>	<b>110,363,200</b>	<b>980,880</b>	<b>(1,137,906)</b>

## 11 Off-Balance Sheet financial instruments (continued)

Details of financial instruments with off-balance sheet risk as at 1 July 2011

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	24,052,456	85,903	(158,761)
(ii) 1 year to 3 years	25,687	30	(232)
(iii) More than 3 years	-	-	-
- Swaps			
(i) Less than 1 year	9,172,068	224,604	(132,635)
(ii) 1 year to 3 years	1,578,773	91,587	(43,347)
(iii) More than 3 years	357,608	25,558	(31,192)
- Options			
(i) Less than 1 year	3,163,564	10,351	(11,317)
(ii) 1 year to 3 years	135,124	2,650	(2,650)
(iii) More than 3 years	-	-	-
Interest rate related contracts			
- Futures			
(i) Less than 1 year	1,793,098	308	(2,205)
(ii) 1 year to 3 years	2,188,264	102	(786)
(iii) More than 3 years	1,077,916	959	(2,117)
- Swaps			
(i) Less than 1 year	11,525,701	18,843	(31,918)
(ii) 1 year to 3 years	18,623,745	120,365	(98,920)
(iii) More than 3 years	25,916,036	212,470	(164,517)
Equity related contracts			
(i) Less than 1 year	163,946	1,434	(1,434)
(ii) 1 year to 3 years	51,275	-	(67)
(iii) More than 3 years	10,000	3,000	-
<b>Total</b>	<b>99,835,261</b>	<b>798,164</b>	<b>(682,098)</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 period, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM1,306,394,187 (FYE June 2012: RM681,275,001) and RM67,883,822,274 (FYE June 2012: RM57,680,193,113) 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.



## 11 Off-Balance Sheet financial instruments (continued)

### 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 RM907,598,806 (FYE June 2012: RM987,969,092). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

#### Derivatives

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

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

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

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

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

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

### Liquidity risk

#### Derivatives

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

### Related accounting policies

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

## 11 Off-Balance Sheet financial instruments (continued)

### Fair value hedge

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

### Cash flow hedge

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

## 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

For the financial year ended 30 June 2013, a total single-tier dividend of 36 sen per share was declared (2012 : 25 sen per share).

## 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.

Weighted Average Number Of Ordinary Shares	Group		Group	
	Current	Restated	Current year	Restated
	quarter ended 30/06/2013	quarter ended 30/06/2012	to date 30/06/2013	to date 30/06/2012
	RM '000	RM '000	RM '000	RM '000
Weighted average number of ordinary shares	1,042,731	1,039,760	1,042,731	1,039,760
Net profit attributable to shareholders of the company	389,561	255,605	1,487,690	1,233,568
Basic earnings per share (Sen)	37.4	24.6	142.7	118.6

Weighted Average Number Of Ordinary Shares	Company		Company	
	Current	Restated	Current year	Restated
	quarter ended 30/06/2013	quarter ended 30/06/2012	to date 30/06/2013	to date 30/06/2012
	RM '000	RM '000	RM '000	RM '000
Weighted average number of ordinary shares	1,045,424	1,043,046	1,045,424	1,043,046
Net profit attributable to shareholders of the company	(665)	(28,810)	330,292	145,116
Basic earnings per share (Sen)	(0.1)	(2.8)	31.6	13.9

## 14 Earnings per share (Continued)

### (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.

	Group		Group	
	Current quarter ended 30/06/2013 RM '000	Restated Last year quarter ended 30/06/2012 RM '000	Current year to date 30/06/2013 RM '000	Restated Last year to date 30/06/2012 RM '000
<b>Fully Diluted Weighted Average Number Of Ordinary Shares</b>				
Weighted average number of ordinary shares				
- during the period	1,042,731	1,039,760	1,042,731	1,039,760
- adjustment for ESOS	1,793	5,439	1,793	5,439
	<u>1,044,526</u>	<u>1,045,198</u>	<u>1,044,526</u>	<u>1,045,198</u>
Net profit attributable to shareholders of the company	389,561	255,605	1,487,690	1,233,568
<b>Fully diluted earnings per share (Sen)</b>	<u>37.3</u>	<u>24.5</u>	<u>142.4</u>	<u>118.0</u>

	Company		Company	
	Current quarter ended 30/06/2013 RM '000	Restated Last year quarter ended 30/06/2012 RM '000	Current year to date 30/06/2013 RM '000	Restated Last year to date 30/06/2012 RM '000
<b>Fully Diluted Weighted Average Number Of Ordinary Shares</b>				
Weighted average number of ordinary shares				
- during the period	1,045,424	1,043,046	1,045,424	1,043,046
- adjustment for ESOS	1,542	5,048	1,542	5,048
	<u>1,046,967</u>	<u>1,048,094</u>	<u>1,046,967</u>	<u>1,048,094</u>
Net profit attributable to shareholders of the company	(665)	(28,810)	330,292	145,116
<b>Fully diluted earnings per share (Sen)</b>	<u>(0.1)</u>	<u>(2.7)</u>	<u>31.5</u>	<u>13.8</u>

## 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>As at 30/06/2013 RM '000</b>	<b>Group Restated As at 30/06/2012 RM '000</b>	<b>Restated As at 01/07/2011 RM '000</b>
Total retained profits of the Group and its subsidiaries			
- Realised	17,652,955	16,979,022	16,060,482
- Unrealised	1,389,428	1,331,451	1,292,840
Total share of retained profits from associated companies			
- Realised	1,084,930	762,776	493,891
- Unrealised	497	109	-
Total share of retained profits from jointly controlled entity			
- Realised	3,234	160	(1,459)
	20,131,044	19,073,518	17,845,754
Less : Consolidation adjustments	(13,540,545)	(13,087,763)	(12,590,099)
Total Group retained profits as per consolidated accounts	<u>6,590,499</u>	<u>5,985,755</u>	<u>5,255,655</u>

Dated this 29 August 2013