

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

	<b>As at 30/09/2013 RM '000</b>	<b>As at 30/06/2013 RM '000</b>
<b>THE GROUP</b>		
<b><u>Assets</u></b>		
Cash and short term funds	18,148,314	19,797,580
Deposits and placements with financial institutions	4,780,839	7,154,848
Securities purchased under resale agreements	1,338,649	1,299,641
Financial assets held-for-trading	14,491,047	16,804,320
Financial investments available-for-sale	25,333,789	22,311,708
Financial investments held-to-maturity	5,724,430	4,816,670
Derivative financial instruments	1,088,884	906,483
Loans, advances and financing	97,515,736	96,274,952
Clients' and brokers' balances	233,916	256,474
Other receivables	919,126	1,005,249
Statutory deposits with Central Banks	3,419,549	3,457,409
Tax recoverable	19,363	19,972
Investment in associated companies	2,493,887	2,456,598
Investment in jointly controlled entities	83,643	79,945
Property and equipment	1,059,386	1,039,745
Goodwill arising on consolidation	2,410,644	2,410,644
Intangible assets	374,251	380,907
<b>Total Assets</b>	<b>179,435,453</b>	<b>180,473,145</b>
<b><u>Liabilities</u></b>		
Deposits from customers	125,713,457	123,958,705
Deposits and placements of banks and other financial institutions	7,328,778	13,110,123
Obligations on securities sold under repurchase agreements	4,389,131	1,925,777
Bills and acceptances payable	754,359	800,680
Derivatives financial instruments	997,592	1,009,421
Clients' and brokers' balances	107,260	140,353
Payables and other liabilities	4,362,589	4,574,141
Provision for claims	63,658	85,255
Provision for taxation	215,434	189,131
Deferred tax liability	194,640	221,561
Subordinated bonds	4,892,655	4,873,509
Senior Bonds	1,962,609	1,902,171
Non-innovative Tier 1 stapled securities	1,427,121	1,408,992
Innovative Tier 1 capital securities	541,962	556,042
Borrowings	3,448,097	3,526,161
Insurance funds	7,396,081	7,186,415
<b>Total Liabilities</b>	<b>163,795,423</b>	<b>165,468,437</b>
<b><u>Equity</u></b>		
Share capital	1,052,768	1,052,768
Capital reserves	2,396,720	2,234,198
Retained profits	6,869,289	6,590,499
Fair value reserves	205,245	248,221
Treasury shares held for ESOS scheme	(49,410)	(49,958)
<b>Total shareholders' equity</b>	<b>10,474,612</b>	<b>10,075,728</b>
Non-controlling interest	5,165,418	4,928,980
<b>Total Equity</b>	<b>15,640,030</b>	<b>15,004,708</b>
<b>Total Liabilities and Equity</b>	<b>179,435,453</b>	<b>180,473,145</b>
<b>Commitment and Contingencies</b>	<b>179,906,887</b>	<b>167,125,844</b>
Net assets per share (net of treasury shares) attributable to ordinary equity holder of the parent (RM)	10.04	9.66

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013.*

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

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/09/2013 RM '000	Last year quarter ended 30/09/2012 RM '000	Current year to date 30/09/2013 RM '000	Last year to date 30/09/2012 RM '000
<b>THE GROUP</b>				
Interest income	1,451,782	1,412,850	1,451,782	1,412,850
Interest expense	(844,562)	(796,679)	(844,562)	(796,679)
Net interest income	607,220	616,171	607,220	616,171
Income from Islamic banking business	108,350	111,841	108,350	111,841
Non interest income	457,259	352,367	457,259	352,367
Net income	1,172,829	1,080,379	1,172,829	1,080,379
Overhead expenses	(492,188)	(479,127)	(492,188)	(479,127)
Operating profit before allowances	680,641	601,252	680,641	601,252
Writeback of impairment losses on loans, advances and financing and other losses	17,733	14,517	17,733	14,517
Writeback of impairment losses	15,362	1,309	15,362	1,309
	713,736	617,078	713,736	617,078
Share of profit after tax of equity accounted associated companies	96,770	70,889	96,770	70,889
Share of profit after tax of equity accounted jointly controlled entities	2,070	746	2,070	746
Profit before taxation	812,576	688,713	812,576	688,713
Taxation	(175,207)	(170,477)	(175,207)	(170,477)
Net profit for the financial period	637,369	518,236	637,369	518,236
Attributable to :				
Owners of the parents	430,189	347,197	430,189	347,197
Non-controlling interest	207,180	171,039	207,180	171,039
Net profit for the financial period	637,369	518,236	637,369	518,236
Basic earnings per ordinary share (sen)	41.3	33.4	41.3	33.4
Diluted earnings per ordinary share (sen)	41.2	33.3	41.2	33.3

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013.*

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

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/09/2013 RM '000	Last year quarter ended 30/09/2012 RM '000	Current year to date 30/09/2013 RM '000	Last year to date 30/09/2012 RM '000
<b>THE GROUP</b>				
Net profit for the financial period	637,369	518,236	637,369	518,236
<b>Other comprehensive income:</b>				
Share of other comprehensive loss of associate company and jointly controlled entities	(22)	(22)	(22)	(22)
Net fair value changes on financial investments available-for-sale	(54,473)	54,965	(54,473)	54,965
Currency translation differences	28,153	(12,097)	28,153	(12,097)
Income tax relating to components of other comprehensive loss/(income)	13,618	(10,993)	13,618	(10,993)
Total comprehensive income for the financial year, net of tax	<u>624,645</u>	<u>550,089</u>	<u>624,645</u>	<u>550,089</u>
Attributable to :				
Owners of the parents	407,454	377,451	407,454	377,451
Non-controlling interest	<u>217,191</u>	<u>172,638</u>	<u>217,191</u>	<u>172,638</u>
	<u>624,645</u>	<u>550,089</u>	<u>624,645</u>	<u>550,089</u>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013.*

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

	<b>As at 30/09/2013 RM '000</b>	<b>As at 30/06/2013 RM '000</b>
<b>THE COMPANY</b>		
<b><u>Assets</u></b>		
Cash and short term funds	9,722	10,662
Deposits and placements with financial institutions	11,694	11,677
Financial assets held-for-trading	2	-
Derivative financial instruments	143	860
Other receivables	58,954	60,663
Tax recoverable	17,400	17,400
Deferred tax assets	5,265	4,977
Investment in subsidiaries	15,054,472	15,105,348
Property and equipment	831	898
Intangible assets	13	11
<b>Total Assets</b>	<b>15,158,496</b>	<b>15,212,496</b>
<b><u>Liabilities</u></b>		
Derivative financial instruments	7,543	8,160
Payables and other liabilities	17,491	15,104
Borrowings	1,427,056	1,466,106
<b>Total Liabilities</b>	<b>1,452,090</b>	<b>1,489,370</b>
<b><u>Financed by:</u></b>		
Share capital	1,052,768	1,052,768
Capital reserves	390,051	388,900
Retained profits	12,300,748	12,318,619
Treasury shares held for ESOS scheme	(37,161)	(37,161)
<b>Total Equity</b>	<b>13,706,406</b>	<b>13,723,126</b>
<b>Total Liabilities and Equity</b>	<b>15,158,496</b>	<b>15,212,496</b>
<b>Commitment and Contingencies</b>	<b>986,323</b>	<b>967,360</b>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013.*

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

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/09/2013 RM '000	quarter ended 30/09/2012 RM '000	to date 30/09/2013 RM '000	to date 30/09/2012 RM '000
<b>THE COMPANY</b>				
Interest income	786	794	786	794
Interest expense	(13,449)	(14,724)	(13,449)	(14,724)
Net interest expense	(12,663)	(13,930)	(12,663)	(13,930)
Non interest income	1,415	11,670	1,415	11,670
Net income	(11,248)	(2,260)	(11,248)	(2,260)
Overhead expenses	(6,910)	(5,794)	(6,910)	(5,794)
Loss before taxation and zakat	(18,158)	(8,054)	(18,158)	(8,054)
Taxation	287	-	287	-
Net loss for the financial period	(17,871)	(8,054)	(17,871)	(8,054)
Basic earnings per ordinary share (sen)	(1.7)	(0.8)	(1.7)	(0.8)
Diluted earnings per ordinary share (sen)	(1.7)	(0.8)	(1.7)	(0.8)

**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2013**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/09/2013 RM '000	quarter ended 30/09/2012 RM '000	to date 30/09/2013 RM '000	to date 30/09/2012 RM '000
<b>THE COMPANY</b>				
Net loss for the financial period	(17,871)	(8,054)	(17,871)	(8,054)
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive loss for the financial period	(17,871)	(8,054)	(17,871)	(8,054)

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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
<b>FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2013</b>													
At 1 July 2013	1,052,768	117,229	(49,958)	1,971,758	134,417	22,768	248,221	8,527	(20,501)	6,590,499	10,075,728	4,928,980	15,004,708
<u>Comprehensive income</u>													
Net profit for the financial year	-	-	-	-	-	-	-	-	-	430,189	430,189	207,180	637,369
Currency translation differences	-	-	-	-	-	-	-	-	20,241	-	20,241	7,912	28,153
Share of other comprehensive loss of associates	-	-	-	-	-	-	(15)	-	-	-	(15)	(7)	(22)
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	-	(42,961)	-	-	-	(42,961)	2,106	(40,855)
Total comprehensive income	-	-	-	-	-	-	(42,976)	-	20,241	430,189	407,454	217,191	624,645
<u>Transaction with owners</u>													
Transfer to statutory reserves/regulatory reserves	-	-	-	139,752	-	-	-	-	-	(139,752)	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	(13,142)	(13,142)	13,767	625
Non-controlling interests share of subsidiary treasury shares	-	-	-	-	-	-	-	-	-	-	-	5,480	5,480
Option charge arising from ESOS	-	-	-	-	-	2,809	-	-	-	-	2,809	-	2,809
Exercise of ESOS	-	-	548	-	-	(711)	-	-	-	1,926	1,763	-	1,763
Transfer to capital redemption reserve	-	-	-	-	431	-	-	-	-	(431)	-	-	-
<b>AT 30 SEPTEMBER 2013</b>	<b>1,052,768</b>	<b>117,229</b>	<b>(49,410)</b>	<b>2,111,510</b>	<b>134,848</b>	<b>24,866</b>	<b>205,245</b>	<b>8,527</b>	<b>(260)</b>	<b>6,869,289</b>	<b>10,474,612</b>	<b>5,165,418</b>	<b>15,640,030</b>

	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
<b>FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012</b>													
At 1 July 2012	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	-	-	-	-	-	-	-	-	-	347,197	347,197	171,039	518,236
Currency translation differences	-	-	-	-	-	-	-	-	(9,768)	-	(9,768)	(2,329)	(12,097)
Share of other comprehensive loss of associates	-	-	-	-	-	-	(15)	-	-	-	(15)	(7)	(22)
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	-	40,037	-	-	-	40,037	3,935	43,972
Total comprehensive income	-	-	-	-	-	-	40,022	-	(9,768)	347,197	377,451	172,638	550,089
<u>Transaction with owners</u>													
Transfer to statutory reserves/regulatory reserves	-	-	-	32,598	-	-	-	-	-	(32,598)	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	2,525	2,525	(3,851)	(1,326)
Non-controlling interests share of subsidiary treasury shares	-	-	-	-	-	-	-	-	-	-	-	20,747	20,747
Option charge arising from ESOS	-	-	-	-	-	987	-	-	-	-	987	-	987
Purchase of treasury shares	-	-	(3,676)	-	-	-	-	-	-	-	(3,676)	-	(3,676)
Exercise of ESOS	-	-	524	-	-	(2,536)	-	-	-	3,001	989	-	989
<b>AT 30 SEPTEMBER 2012</b>	<b>1,052,768</b>	<b>117,229</b>	<b>(65,857)</b>	<b>1,506,054</b>	<b>133,993</b>	<b>33,896</b>	<b>219,528</b>	<b>6,045</b>	<b>(32,750)</b>	<b>6,305,880</b>	<b>9,276,786</b>	<b>4,572,728</b>	<b>13,849,514</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.

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

<b>FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 2013	1,052,768	117,229	254,991	16,680	12,318,619	(37,161)	13,723,126
Net loss for the financial period	-	-	-	-	(17,871)	-	(17,871)
Option charge arising from ESOS	-	-	-	1,151	-	-	1,151
<b>AT 30 SEPTEMBER 2013</b>	<u>1,052,768</u>	<u>117,229</u>	<u>254,991</u>	<u>17,831</u>	<u>12,300,748</u>	<u>(37,161)</u>	<u>13,706,406</u>

<b>FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 2012	1,052,768	117,229	254,991	12,078	12,362,017	(47,085)	13,751,998
Net loss for the financial period	-	-	-	-	(8,054)	-	(8,054)
Purchase of treasury shares	-	-	-	-	-	(3,676)	(3,676)
<b>AT 30 SEPTEMBER 2012</b>	<u>1,052,768</u>	<u>117,229</u>	<u>254,991</u>	<u>12,078</u>	<u>12,353,963</u>	<u>(50,761)</u>	<u>13,740,268</u>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013.*

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

	The Group		The Company	
	30/09/2013	30/09/2012	30/09/2013	30/09/2012
	RM '000	RM '000	RM '000	RM '000
Profit before taxation and zakat	812,576	688,713	(18,158)	(8,054)
Adjustment for non-cash items and others	(132,828)	(112,739)	13,810	9,477
Operating profit before working capital changes	679,748	575,974	(4,348)	1,423
Income tax (paid)/refund	(144,136)	(82,364)	-	3,113
Interest received	786	794	786	794
Changes in working capital				
Net changes in operating assets	3,583,417	126,920	2,307	(7,848)
Net changes in operating liabilities	(1,867,220)	(2,413,102)	1,770	100,128
<b>Net cash flow generated from/(used in) operating activities</b>	<b>2,252,595</b>	<b>(1,791,778)</b>	<b>515</b>	<b>97,610</b>
Net cash flow from investing activities:				
Net purchases of financial investments available-for-sale	(3,079,260)	(5,163,265)	-	-
Net purchases of financial investments held-to-maturity	(907,751)	(236,925)	-	-
Interest received on financial investments available-for-sale and held-to-maturity	134,457	107,486	-	-
Purchase on intangibles assets	(24,675)	(2,526)	(4)	-
Purchase of property and equipment	(52,437)	(38,523)	(6)	-
Proceeds from disposal of property and equipment	4,507	365	123	-
Dividends received from other investments	71,869	25,945	56	16
Dividends received from associated companies	56,086	51,344	-	-
Subscription of shares in jointly controlled company	1,628	-	-	-
Net proceeds/(subscription) of redeemable preference shares	-	-	50,875	(75,118)
<b>Net cash flow (used in)/generated from investing activities</b>	<b>(3,795,576)</b>	<b>(5,256,099)</b>	<b>51,044</b>	<b>(75,102)</b>
Net cash flow from financing activities				
Purchase of treasury shares	-	(3,676)	-	(3,676)
Proceeds from exercising of ESOS	1,763	1,978	-	-
Drawdown of revolving credit	65,000	44,000	65,000	60,000
(Redemption)/issuance of medium term notes and commercial paper	(110,000)	1,908,000	(110,000)	(92,000)
Interest paid on subordinated bonds	(36,416)	(21,130)	-	-
Interest paid on borrowings	(86,827)	(12,934)	(7,499)	(8,605)
Interest paid on senior bonds	(18,780)	(19,582)	-	-
Interest paid on non-innovative Tier 1 stapled securities	(309)	(420)	-	-
Interest paid on innovative Tier 1 capital securities	(16,886)	(15,751)	-	-
<b>Net cash flow (used in)/generated from financing activities</b>	<b>(202,455)</b>	<b>1,880,485</b>	<b>(52,499)</b>	<b>(44,281)</b>
<b>Changes in cash and cash equivalents</b>	<b>(1,745,436)</b>	<b>(5,167,392)</b>	<b>(940)</b>	<b>(21,773)</b>
<b>Effect of change in foreign exchange rate</b>	<b>96,170</b>	<b>(77,940)</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents as at 1 July</b>	<b>19,797,580</b>	<b>21,582,839</b>	<b>10,662</b>	<b>40,900</b>
<b>Cash and cash equivalents as at 30 September</b>	<b>18,148,314</b>	<b>16,337,507</b>	<b>9,722</b>	<b>19,127</b>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013.*



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

**1. Basis of preparation**

The unaudited condensed financial statements for the financial period ended 30 September 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 2013. 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 2013.

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

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2013, 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 2013:

MFRS 10	"Consolidated Financial Statements"
MFRS 11	"Joint Arrangements"
MFRS 12	"Disclosures of Interests in Other Entities"
MFRS 13	"Fair Value Measurement"
The revised MFRS 127	"Separate Financial Statements"
The revised MFRS 128	"Investments in Associates and Joint Ventures"
Amendment to MFRS 7	"Financial Instruments: Disclosures"

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

**2. Status of matters giving rise to the auditor's qualified report in the annual financial statement for the financial year ended 30 June 2013**

There was no qualified report issued by the auditors in the annual financial statements for the financial year ended 30 June 2013.

**3. Seasonality or cyclicity of operations**

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

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

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

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

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

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

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares in HLFG for the financial period ended 30 September 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 period ended 30 September 2013, no shares were exercised pursuant to the Company's ESOS.

The remaining number of shares held by the appointed trustee for the Company as at 30 September 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 115,350 ordinary shares of RM1 each pursuant to the Company's ESOS at the granted exercise price of RM8.09 during the financial period ended 30 September 2013.

The remaining number of shares held by the appointed trustee for the insurance subsidiary companies as at 30 September 2013 was 2,576,842 units at an average price of RM4.75 per share with total consideration paid, including transaction costs was RM12,249,000 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 9 of the additional information required by the Bursa Malaysia security.

## 7. Dividends paid

There were no dividends paid during the financial period under review.

## 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 SEPTEMBER 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 period ended</b>						
External sales	1,025,036	40,979	87,863	18,951	-	1,172,829
Intersegment sales	4,370	122	705	2,247	(7,444)	-
	<u>1,029,406</u>	<u>41,101</u>	<u>88,568</u>	<u>21,198</u>	<u>(7,444)</u>	<u>1,172,829</u>
<b>Results for the period ended</b>						
Segment results	607,794	18,459	73,256	14,227	-	713,736
Share of results of associated companies						96,770
Share of results of jointly controlled entities						2,070
Profit before taxation						<u>812,576</u>
Taxation						<u>(175,207)</u>
Net profit for the financial period						<u>637,369</u>
Non-controlling interests						<u>(207,180)</u>
Profit attributable to owners of the parents						<u><u>430,189</u></u>
<b>Other information</b>						
Segment assets	162,424,256	2,845,208	13,645,715	15,500,737	(14,980,463)	<u><u>179,435,453</u></u>
Segment liabilities	148,801,009	2,340,256	11,448,067	1,612,214	(406,123)	<u><u>163,795,423</u></u>

## 8. Segmental reporting (continued)

<b>GROUP</b> <b>30 SEPTEMBER 2012</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 period ended</b>						
External sales	995,425	38,138	48,086	(1,270)	-	1,080,379
Intersegment sales	7,103	1,696	1,186	2,738	(12,723)	-
	<u>1,002,528</u>	<u>39,834</u>	<u>49,272</u>	<u>1,468</u>	<u>(12,723)</u>	<u>1,080,379</u>
<b>Results for the period ended</b>						
Segment results	575,705	11,669	34,101	(4,397)	-	617,078
Share of results of associated company						70,889
Share of results of jointly controlled entities						746
Profit before taxation and zakat						<u>688,713</u>
Taxation						<u>(170,477)</u>
Net profit for the financial period						518,236
Non-controlling interest						<u>(171,039)</u>
Profit attributable to owners of the parents						<u>347,197</u>
<b>Other information</b>						
Segment assets	155,638,626	3,250,432	11,607,772	15,895,221	(15,446,623)	<u>170,945,428</u>
Segment liabilities	143,434,303	2,851,998	9,564,970	2,042,523	(802,697)	<u>157,091,097</u>

## 9. Financial assets held-for-trading

	Group	
	As at 30/09/2013 RM '000	As at 30/06/2013 RM '000
Money market instruments:		
Government Treasury Bills	257,026	352,727
Malaysian Government Securities	1,576,970	725,325
Negotiable instruments of deposit	6,157,797	4,629,118
Bankers' acceptances and Islamic accepted bills	2,358,418	3,456,639
Bank Negara Malaysia bills	1,196,232	4,961,614
Malaysian Government Investment Certificates	1,472,603	692,661
Cagamas bonds	6,032	21,586
	13,025,078	14,839,670
Quoted securities:		
Shares in Malaysia	472,590	462,830
Shares outside Malaysia	259,445	260,463
Unit trust investments	58,844	44,496
Warrants quoted in Malaysia	43	29
Unquoted securities :		
Foreign currency bonds	112,051	246,890
Private and Islamic debts securities	562,996	949,942
Total financial assets held-for-trading	14,491,047	16,804,320

	Company	
	As at 30/09/2013 RM '000	As at 30/06/2013 RM '000
<b><u>At Fair Value</u></b>		
Unit Trust	2	-

## 10. Financial investments available-for-sale

	Group	
	As at 30/09/2013 RM '000	As at 30/06/2013 RM '000
Money market instruments:		
Government Treasury Bills	486,280	371,911
Malaysian Government Securities	2,416,123	455,835
Malaysian Government Investment Certificates	2,214,554	3,104,568
Negotiable instruments of deposit	146,841	142,045
Cagamas bonds	627,788	769,827
Other Government securities	790,731	587,898
	6,682,317	5,432,084
Quoted securities:		
Shares in Malaysia	914,494	806,261
Shares outside Malaysia	237,694	211,244
Warrants in Malaysia	97	93
Loan stocks in Malaysia	7,436	7,437
Unit trust investments	2,775,246	2,914,645
Wholesale fund	1,500,600	1,499,900
Unquoted securities :		
Shares in Malaysia	329,346	329,346
Shares outside Malaysia	3,561	3,450
Foreign currency bonds in Malaysia	4,197,409	3,396,120
Foreign currency bonds outside Malaysia	1,660,271	1,256,252
Investment-linked funds	300	300
Private debt securities	7,025,018	6,454,576
Total financial investments available-for-sale	25,333,789	22,311,708

## 11. Financial investments held-to-maturity

	Group	
	As at 30/09/2013 RM '000	As at 30/06/2013 RM '000
Money market instruments:		
Malaysian Government Securities	2,156,852	1,616,218
Malaysian Government Investment Certificates	2,673,341	2,309,047
Negotiable instruments of deposit	53,719	5,833
Cagamas bonds	87,069	86,879
Other Government securities	11,285	2,541
	4,982,266	4,020,518
Unquoted securities :		
Loan stocks	99	120
Private and Islamic debt securities	490,460	550,634
Foreign currency bonds outside Malaysia	198,619	192,912
Unquoted bonds	486	486
Investment in preference shares	52,500	52,000
Total financial investments held-to-maturity	5,724,430	4,816,670

## 12. Loans, advances and financing

	Group	
	As at 30/09/2013 RM '000	As at 30/06/2013 RM '000
Overdrafts	4,154,702	4,346,203
Term loans :		
- Housing loans/financing	42,068,314	41,135,376
- Syndicated term loan/financing	6,816,008	6,333,829
- Hire purchase receivables	17,500,867	17,408,072
- Other term loans/financing	10,115,774	9,829,885
Credit/charge card receivables	4,090,112	4,088,083
Bills receivables	1,132,296	1,292,482
Trust receipts	340,944	302,199
Claims on customers under acceptance credits	6,698,995	7,362,332
Block discounting	6,030	6,030
Revolving credits	5,242,889	4,890,538
Policy and premium loans	663,427	669,807
Staff loans	188,838	195,320
Other loans/financing	235,676	193,782
	99,254,872	98,053,938
Fair value changes arising from fair value hedges	(8,896)	(7,450)
Unamortised fair value changes arising from terminated fair value hedges	11,384	15,035
Less: Allowance for impaired loans, advances and financing		
- collective assessment allowance	(1,219,869)	(1,260,301)
- individual assessment allowance	(521,755)	(526,270)
Total net loans, advances and financing	97,515,736	96,274,952

### (a) By type of customer

	Group	
	As at 30/09/2013 RM '000	As at 30/06/2013 RM '000
Domestic non-bank financial institutions	321,591	293,310
Domestic business enterprises		
- Small and medium enterprises	14,821,085	14,543,322
- Others	19,249,968	19,613,129
Government and statutory bodies	20,077	23,538
Individuals	60,556,198	59,471,203
Other domestic entities	230,590	231,638
Foreign entities	4,055,363	3,877,798
Gross loans, advances and financing	99,254,872	98,053,938

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

	Group	
	As at 30/09/2013 RM '000	As at 30/06/2013 RM '000
Fixed rate		
- Housing and shop loans/financing	2,993,511	3,124,510
- Hire purchase receivables/financing	17,107,406	17,035,642
- Other fixed rate loan/financing	8,587,934	7,928,003
Variable rate		
- Base lending rate pegged	57,319,806	56,615,136
- Cost plus	12,581,899	12,705,033
- Other variables rates	664,316	645,614
Gross loans, advances and financing	99,254,872	98,053,938

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

### (c) By economic purpose

	Group	
	As at 30/09/2013 RM '000	As at 30/06/2013 RM '000
Purchase of securities	1,147,423	1,120,307
Purchase of transport vehicles	17,426,808	17,345,812
Purchase of landed properties		
- residential	35,172,028	34,218,619
- non-residential	11,128,134	10,858,636
Purchase of fixed assets (excluding landed properties)	560,939	555,874
Personal use	3,451,600	3,502,241
Credit card	4,090,112	4,088,083
Purchase of consumer durables	463	472
Construction	1,239,845	1,163,851
Working capital	21,572,495	21,803,772
Mergers and acquisition	354,573	447,926
Others	3,110,452	2,948,345
Gross loans, advances and financing	99,254,872	98,053,938

### (d) By geographical distribution

	Group	
	As at 30/09/2013 RM '000	As at 30/06/2013 RM '000
In Malaysia	96,430,036	95,329,667
Outside Malaysia		
- Singapore	2,571,650	2,480,476
- Vietnam	244,099	243,795
- Cambodia	9,087	-
Gross loans, advances and financing	99,254,872	98,053,938

### (e) By residual contractual maturity

	Group	
	As at 30/09/2013 RM '000	As at 30/06/2013 RM '000
Maturing within:		
- one year	27,493,697	27,661,559
- one year to three years	7,579,968	7,418,571
- three years to five years	8,960,021	9,087,744
- over five years	55,221,186	53,886,064
Gross loans, advances and financing	99,254,872	98,053,938



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

### (f) Impaired loans by purpose

	Group	
	As at 30/09/2013 RM '000	As at 30/06/2013 RM '000
Purchase of securities	6,962	6,895
Purchase of transport vehicles	230,846	220,262
Purchase of landed properties		
- residential	243,026	246,866
- non-residential	61,331	59,554
Purchase of fixed assets (excluding landed properties)	16,079	14,576
Personal use	66,414	72,209
Credit card	54,103	60,675
Purchase of consumer durables	4	4
Construction	8,685	9,266
Working capital	611,608	635,311
Others	35,863	34,948
Gross loans, advances and financing	<u>1,334,921</u>	<u>1,360,566</u>

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

	Group	
	As at 30/09/2013 RM '000	As at 30/06/2013 RM '000
In Malaysia	1,310,193	1,330,767
Outside Malaysia		
- Singapore	24,367	29,438
- Vietnam	361	361
	<u>1,334,921</u>	<u>1,360,566</u>

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

	Group	
	As at 30/09/2013 RM '000	As at 30/06/2013 RM '000
As at beginning of the financial period/year	1,360,566	1,533,270
Impaired during the financial period/year	419,525	1,852,876
Performing during the financial period/year	(227,082)	(966,418)
Amount written back in respect of recoveries	(116,162)	(503,594)
Amount written off	(104,985)	(555,307)
Exchange differences	3,059	(261)
As at end of the financial period/year	<u>1,334,921</u>	<u>1,360,566</u>
Gross impaired loan as a % of gross loans, advances and financing	<u>1.4%</u>	<u>1.4%</u>

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

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

	Group	
	As at 30/09/2013 RM '000	As at 30/06/2013 RM '000
<u>Collective Assessment Allowance</u>		
As at beginning of the financial period/year	1,260,301	1,502,452
Net allowance made during the period/year	49,685	183,785
Amount written off	(86,388)	(402,347)
Amount transfer to individual assessment allowance	(409)	(4,800)
Unwinding income	(4,032)	(18,751)
Exchange differences	712	(38)
As at end of the financial period/year	1,219,869	1,260,301
As % of gross loans, advances and financing less loans exempted from individual assessment allowance	1.2%	1.3%
 <u>Individual Assessment Allowance</u>		
As at beginning of the financial period/year	526,270	543,234
Net allowance made during the period/year	24,219	190,973
Amount transfer from collective assessment allowance	409	4,800
Amount transfer to allowance for impairment losses under financial investments held-to-maturity	-	(14,211)
Amount written back in respect of recoveries	(23,407)	(90,853)
Amount written off	(5,724)	(95,906)
Unwinding income	(2,184)	(11,524)
Exchange differences	2,172	(243)
As at end of the financial period/year	521,755	526,270

### 13. Other receivables

	Group	
	As at 30/09/2013 RM '000	As at 30/06/2013 RM '000
Investment properties	1,680	1,680
Foreclosed properties	1,112	1,112
Sundry debtors and other prepayments	167,522	159,995
Treasury related receivable	313,789	255,608
Other receivables	435,023	586,854
	919,126	1,005,249

  

	Company	
	As at 30/09/2013 RM '000	As at 30/06/2013 RM '000
Amount due from subsidiary companies	57,925	57,656
Sundry debtors and other prepayments	689	883
Other receivables	340	2,124
	58,954	60,663

### 14. Deposits from customers

	Group	
	As at 30/09/2013 RM '000	As at 30/06/2013 RM '000
Fixed deposits	74,088,759	73,878,772
Negotiable instruments of deposit	8,587,903	8,147,193
	82,676,662	82,025,965
Demand deposits	18,390,970	17,514,256
Savings deposits	14,559,459	14,439,487
Short term corporate placement	9,666,248	9,659,336
Others	420,118	319,661
	125,713,457	123,958,705

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

	Group	
	As at 30/09/2013 RM '000	As at 30/06/2013 RM '000
Due within six months	60,281,046	58,101,048
More than six months to one year	18,697,041	19,875,082
More than one year to five years	3,618,283	3,939,835
More than five years	80,292	110,000
	82,676,662	82,025,965

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

	Group	
	As at 30/09/2013 RM '000	As at 30/06/2013 RM '000
Government and statutory bodies	3,553,391	3,916,254
Business enterprises	50,508,528	49,727,955
Individuals	66,181,823	66,104,854
Others	5,469,715	4,209,642
	125,713,457	123,958,705

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

	Group	
	As at 30/09/2013 RM '000	As at 30/06/2013 RM '000
	Licensed banks and investment banks	5,443,692
Licensed Islamic Bank	448,801	930,887
Other financial institutions	1,436,285	1,535,508
	<u>7,328,778</u>	<u>13,110,123</u>
The maturity structure of deposits and placements of banks and other financial institutions:		
One year or less (short term)	<u>7,328,778</u>	<u>13,110,123</u>

## 16. Payables and other liabilities

	Group	
	As at 30/09/2013 RM '000	As at 30/06/2013 RM '000
	Trade payables	1,093,722
Amount due to Cagamas Berhad	170,160	172,115
Loan advance payment	1,681,617	1,603,098
Post employment benefits obligations - defined contribution plan	4,437	4,159
Treasury/cheque clearing	(223,515)	187,584
Treasury related payables	125,396	21,416
Sundry creditors and accruals	626,388	563,290
Provision for bonus and staff related expenses	258,132	208,497
Others	626,252	773,908
	<u>4,362,589</u>	<u>4,574,141</u>
	Company	
	As at 30/09/2013 RM '000	As at 30/06/2013 RM '000
Amount due to subsidiary companies	1,831	1,859
Sundry creditors and accruals	1,244	1,643
Provision for bonus and staff related expenses	14,377	11,564
Post employment benefits obligations - defined contribution plan	39	38
	<u>17,491</u>	<u>15,104</u>

## 17. Interest income

	Group		Group	
	Current quarter ended 30/09/2013 RM '000	Last year quarter ended 30/09/2012 RM '000	Current year to date 30/09/2013 RM '000	Last year to date 30/09/2012 RM '000
	Loan, advances and financing	1,023,951	993,605	1,023,951
Money at call and deposit placements with financial institutions	141,816	98,966	141,816	98,966
Securities purchased under resale agreements	8,169	5,724	8,169	5,724
Financial assets held-for-trading	138,921	205,683	138,921	205,683
Financial investments available-for-sale	104,616	77,458	104,616	77,458
Financial investments held-to-maturity	32,885	30,028	32,885	30,028
Others	1,424	1,386	1,424	1,386
	<u>1,451,782</u>	<u>1,412,850</u>	<u>1,451,782</u>	<u>1,412,850</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>5,432</u>	<u>6,620</u>	<u>5,432</u>	<u>6,620</u>

	Company		Company	
	Current quarter ended 30/09/2013 RM '000	Last year quarter ended 30/09/2012 RM '000	Current year to date 30/09/2013 RM '000	Last year to date 30/09/2012 RM '000
	Money at call and deposit placements with financial institutions	176	158	176
Others	610	636	610	636
	<u>786</u>	<u>794</u>	<u>786</u>	<u>794</u>

## 18. Interest expense

	Group		Group	
	Current quarter ended 30/09/2013 RM '000	Last year quarter ended 30/09/2012 RM '000	Current year to date 30/09/2013 RM '000	Last year to date 30/09/2012 RM '000
	Deposits and placements of banks and other financial institutions	37,094	41,250	37,094
Deposits from customers	594,515	568,366	594,515	568,366
Short term corporate placements	58,313	80,263	58,313	80,263
Borrowings	53,762	16,822	53,762	16,822
Subordinated bonds	54,722	44,534	54,722	44,534
Senior bonds	17,770	17,551	17,770	17,551
Non-innovative Tier 1 stapled securities	18,129	18,241	18,129	18,241
Innovative Tier 1 capital securities	6,601	5,579	6,601	5,579
Others	3,656	4,073	3,656	4,073
	<u>844,562</u>	<u>796,679</u>	<u>844,562</u>	<u>796,679</u>
	Company		Company	
	Current quarter ended 30/09/2013 RM '000	Last year quarter ended 30/09/2012 RM '000	Current year to date 30/09/2013 RM '000	Last year to date 30/09/2012 RM '000
	Borrowings	13,434	14,723	13,434
Others	15	1	15	1
	<u>13,449</u>	<u>14,724</u>	<u>13,449</u>	<u>14,724</u>

## 19. Non Interest Income

	Group		Group	
	Current quarter ended 30/09/2013 RM '000	Last year quarter ended 30/09/2012 RM '000	Current year to date 30/09/2013 RM '000	Last year to date 30/09/2012 RM '000
Net income from Insurance Business	78,721	40,046	78,721	40,046
Net brokerage and commissions from stockbroking business	13,816	10,773	13,816	10,773
Net unit trust and asset management income	5,498	4,739	5,498	4,739
Fee income:				
Commissions	32,749	31,320	32,749	31,320
Service charges and fees	10,487	9,349	10,487	9,349
Guarantee fees	6,360	5,908	6,360	5,908
Credit card related fees	74,523	65,332	74,523	65,332
Corporate advisory fees	1,795	2,312	1,795	2,312
Commitment fees	9,242	8,511	9,242	8,511
Fee on loans, advances and financing	17,706	19,243	17,706	19,243
Placement fees	79	5,820	79	5,820
Arranger fees	7,159	2,390	7,159	2,390
Other fee income	14,601	6,332	14,601	6,332
	174,701	156,517	174,701	156,517
Gains/(losses) arising from sale of financial assets:				
Net (losses)/gains from financial assets held-for-trading	(268)	10,779	(268)	10,779
Net gains from sale of financial investments available-for-sale	16,889	27,352	16,889	27,352
Net gains from redemption of financial investments held-to-maturity	9	8,378	9	8,378
Net gains from sale of derivatives financial instruments	13,589	4,658	13,589	4,658
	30,219	51,167	30,219	51,167
Gross dividend income from:				
Financial assets held-for-trading	10,407	10,546	10,407	10,546
Financial investments available-for-sale	61,462	14,987	61,462	14,987
	71,869	25,533	71,869	25,533
Net unrealised gains/(losses) on revaluation of:				
Financial assets held-for-trading	27,099	(4,473)	27,099	(4,473)
Derivatives financial instruments	9,045	31,536	9,045	31,536
	36,144	27,063	36,144	27,063
Net realised losses on fair value changes arising from fair value hedge and amortisation of fair value changes arising from terminated fair value hedges	(2,830)	(7,688)	(2,830)	(7,688)
Net unrealised gains on fair value changes arising from fair value hedges	-	2,788	-	2,788
Other income:				
Foreign exchange gain	42,910	34,558	42,910	34,558
Rental income	1,480	1,408	1,480	1,408
Gains on disposal of property and equipment (net)	131	187	131	187
Others	4,600	5,276	4,600	5,276
	49,121	41,429	49,121	41,429
Total non interest income	457,259	352,367	457,259	352,367

## 19. Non Interest Income (continued)

	Company		Company	
	Current quarter ended 30/09/2013 RM '000	Last year quarter ended 30/09/2012 RM '000	Current year to date 30/09/2013 RM '000	Last year to date 30/09/2012 RM '000
Fee income:				
Management fees	2,238	2,189	2,238	2,189
Net realised (loss)/gain from sale of financial assets:				
Derivatives financial instruments	(1,402)	4,823	(1,402)	4,823
Gross dividend income from:				
Financial assets held-for-trading	56	16	56	16
Unrealised gain/(loss) on revaluation of:				
Financial assets held-for-trading	-	3	-	3
Derivatives financial instruments	(101)	111	(101)	111
Other income	624	4,528	624	4,528
Total non interest income	1,415	11,670	1,415	11,670

## 20. Overhead expenses

	Group		Group	
	Current quarter ended 30/09/2013 RM '000	Last year quarter ended 30/09/2012 RM '000	Current year to date 30/09/2013 RM '000	Last year to date 30/09/2012 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	247,382	240,159	247,382	240,159
- Medical expenses	5,890	5,597	5,890	5,597
- Training and convention expenses	3,470	4,954	3,470	4,954
- Staff welfare	3,567	3,133	3,567	3,133
- Others	7,779	7,032	7,779	7,032
<u>Establishment costs</u>				
- Depreciation of property and equipments	27,931	29,055	27,931	29,055
- Amortisation of intangible assets	23,753	24,521	23,753	24,521
- Rental	20,529	22,372	20,529	22,372
- Information technology expenses	26,931	24,517	26,931	24,517
- Security services	7,916	5,471	7,916	5,471
- Electricity, water and sewerage	5,892	9,617	5,892	9,617
- Hire of plant and machinery	3,497	3,891	3,497	3,891
- Others	8,239	5,864	8,239	5,864
<u>Marketing expenses</u>				
- Advertisement and publicity	6,629	8,157	6,629	8,157
- Credit card related fees	20,282	15,848	20,282	15,848
- Commission	3,625	3,526	3,625	3,526
- Others	4,267	4,433	4,267	4,433
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,518	4,069	2,518	4,069
- Stationery & printing	3,466	4,578	3,466	4,578
- Professional fees	20,706	22,355	20,706	22,355
- Insurance fees	5,585	4,316	5,585	4,316
- Credit card fees	19,880	16,266	19,880	16,266
- Travelling and transport expenses	1,675	1,615	1,675	1,615
- Registration and license fees	1,476	1,175	1,476	1,175
- Brokerage and commission	1,246	1,280	1,246	1,280
- Others	8,057	5,326	8,057	5,326
	492,188	479,127	492,188	479,127

## 20. Overhead expenses (continued)

	Company		Company	
	Current quarter ended 30/09/2013 RM '000	Last year quarter ended 30/09/2012 RM '000	Current year to date 30/09/2013 RM '000	Last year to date 30/09/2012 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	4,715	4,762	4,715	4,762
- Medical expenses	24	25	24	25
- Training and convention expenses	9	3	9	3
- Staff welfare	51	43	51	43
- Others	1,171	45	1,171	45
<u>Establishment costs</u>				
- Depreciation of property and equipments	73	89	73	89
- Amortisation of intangible assets	2	3	2	3
- Rental	211	196	211	196
- Electricity, water and sewerage	15	8	15	8
- Hire of plant and machinery	7	7	7	7
- Others	34	20	34	20
<u>Administration and general expenses</u>				
- Teletransmission expenses	9	6	9	6
- Stationery & printing	12	12	12	12
- Professional fees	355	320	355	320
- Travelling and transport expenses	34	56	34	56
- Others	188	199	188	199
	<u>6,910</u>	<u>5,794</u>	<u>6,910</u>	<u>5,794</u>

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

	Group		Group	
	Current quarter ended 30/09/2013 RM '000	Restated Last year quarter ended 30/09/2012 RM '000	Current year to date 30/09/2013 RM '000	Restated Last year to date 30/09/2012 RM '000
Allowance for/(writeback of) impairment losses on loans, advances and financing:				
- Individual assessment allowance	812	(7,916)	812	(7,916)
- Collective assessment allowance	49,685	56,875	49,685	56,875
(Writeback of)/allowance for impairment losses on clients' and brokers' balances:				
- Individual assessment allowance	(57)	121	(57)	121
- Collective assessment allowance	(15)	23	(15)	23
Writeback of impairment losses on other assets				
- Individual assessment allowance	(65)	-	(65)	-
Impaired loans and financing:				
- written off	6,337	4,750	6,337	4,750
- recovered	(74,430)	(68,370)	(74,430)	(68,370)
	<u>(17,733)</u>	<u>(14,517)</u>	<u>(17,733)</u>	<u>(14,517)</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% (2013: 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.

(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	
	30/09/2013	30/06/2013	30/09/2013	30/06/2013	30/09/2013	30/06/2013
<b>Before deducting proposed dividends</b>						
CET I capital ratio	10.380%	10.627%	9.977%	10.156%	24.485%	33.194%
Tier I capital ratio	12.026%	12.319%	11.844%	12.062%	24.485%	33.194%
Total capital ratio	14.744%	15.179%	13.320%	13.592%	24.628%	33.288%
<b>After deducting proposed dividends</b>						
CET I capital ratio	9.999%	10.236%	9.545%	9.715%	22.200%	30.099%
Tier I capital ratio	11.645%	11.927%	11.412%	11.621%	22.200%	30.099%
Total capital ratio	14.363%	14.787%	12.888%	13.150%	22.343%	30.193%

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/09/2013	30/06/2013	30/09/2013	30/06/2013	30/09/2013	30/06/2013
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>CET I capital</b>						
Paid up share capital	1,879,909	1,879,909	1,879,909	1,879,909	165,000	165,000
Share premium	2,832,383	2,832,383	2,832,383	2,832,383	87,950	87,950
Retained profit	6,057,620	6,197,372	4,721,674	4,835,280	(15,241)	(15,241)
Other Reserves	2,867,951	2,699,050	2,481,453	2,360,778	153,570	154,051
Less : Treasury Shares	(656,330)	(661,809)	(656,330)	(661,809)	-	-
Less: Other intangible assets	(362,690)	(369,415)	(349,489)	(362,855)	-	-
Less : Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(28,986)	(28,986)
Less : Deferred Tax assets	-	-	-	-	(61,978)	(61,978)
Less: Other regulatory adjustments	-	-	-	-	(260)	(525)
Total CET 1 capital	10,787,531	10,746,178	9,138,053	9,112,139	300,055	300,271
<b>Additional Tier I capital</b>						
Non-innovative Tier-1 stapled securities	1,260,000	1,260,000	1,260,000	1,260,000	-	-
Innovative Tier-1 capital securities	450,000	450,000	450,000	450,000	-	-
Total additional Tier-1 capital	1,710,000	1,710,000	1,710,000	1,710,000	-	-
<b>Total Tier I capital</b>	<b>12,497,531</b>	<b>12,456,178</b>	<b>10,848,053</b>	<b>10,822,139</b>	<b>300,055</b>	<b>300,271</b>

## 22. Capital adequacy (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		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/09/2013	30/06/2013	30/09/2013	30/06/2013	30/09/2013	30/06/2013
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>Tier II Capital</b>						
Redeemable preference shares	-	-	-	-	1,631	1,631
Collective assessment allowance ^	769,223	800,960	642,402	666,131	1,066	678
Subordinated obligations	3,924,000	3,924,000	3,924,000	3,924,000	-	-
Total Tier II capital	4,693,223	4,724,960	4,566,402	4,590,131	2,697	2,309
Less : Investment in subsidiary companies	-	-	(2,191,047)	(2,194,913)	(949)	(1,455)
Less : Investment in associated company	(1,786,334)	(1,752,949)	(946,505)	(946,505)	-	-
Less : Investment in jointly controlled entity	(82,019)	(79,945)	(76,711)	(76,711)	-	-
	(1,868,353)	(1,832,894)	(3,214,263)	(3,218,129)	(949)	(1,455)
<b>Total capital</b>	15,322,401	15,348,244	12,200,192	12,194,141	301,803	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		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/09/2013	30/06/2013	30/09/2013	30/06/2013	30/09/2013	30/06/2013
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit risk	93,008,723	91,059,541	82,014,268	80,746,066	681,967	464,961
Market risk	3,984,301	3,429,463	3,663,454	3,322,591	408,500	321,448
Operational risk	6,931,774	6,628,544	5,913,481	5,649,356	134,993	118,189
Total RWA	103,924,798	101,117,548	91,591,203	89,718,013	1,225,460	904,598

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

	Hong Leong Islamic Bank	
	30/09/2013	30/06/2013
<b>Before deducting proposed dividends</b>		
CET I capital ratio	10.804%	11.070%
Tier I capital ratio	10.804%	11.070%
Total capital ratio	13.752%	14.153%
<b>After deducting proposed dividends</b>		
CET I capital ratio	10.464%	10.720%
Tier I capital ratio	10.464%	10.720%
Total capital ratio	13.411%	13.804%

## 23. Events after Balance Sheet date

- (a) On 11 October 2013, Hong Leong Capital Berhad ("HLCB"), a subsidiary of HLF, announced that disposal of 100% equity interest in Promilia Berhad ("Promilia") to Hong Leong Bank Berhad ("HLB"), a subsidiary of HLF, had been completed.

## 24. Changes in composition of the Group

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

- (a) HLAH Assets Sdn Bhd, a wholly-owned subsidiary of HLA Holdings Sdn Bhd which in turn a wholly-owned subsidiary of HLF, was dissolved on 31 August 2013.
- (b) Following the completion of the disposal of Promilia by HLCB to HLB on 11 October 2013, Promilia had, on the even day, ceased to be a wholly-owned subsidiary of HLCB and became a wholly-owned subsidiary of HLB.

## 25. Commitments and contingencies

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

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

	Group	
	30/09/2013	30/06/2013
	RM'000	RM'000
Direct credit substitutes	320,064	333,012
Certain transaction related contingent items	1,584,458	1,629,933
Short-term self liquidating		
trade related contingencies	791,530	891,468
Underwriting obligation	38,360	65,000
Irrevocable commitments to extend credit:		
-maturity more than 1 year	15,608,243	14,108,639
-maturity less than 1 year	17,182,478	17,331,901
Any commitments that are unconditionally cancellable at any time by the Group without prior notice	520,079	507,022
Foreign exchange related contracts		
- less than one year	38,974,806	41,066,842
- one year to less than five years	3,877,323	3,649,055
- five years and above	622,756	603,465
Interest rate related contracts		
- less than one year	30,908,843	17,857,027
- one year to less than five years	44,446,976	45,275,873
- five years and above	15,951,252	14,773,860
Equity related contracts		
- less than one year	97,925	54,168
- one year to less than five years	10,000	10,000
Unutilised credit card lines	8,273,859	8,331,904
Others	697,935	636,675
Total	<u>179,906,887</u>	<u>167,125,844</u>

## 25. Commitments and contingencies (continued)

The Company's commitments and contingencies

	Company	
	Principal Amount 30/09/2013 RM'000	Principal Amount 30/06/2013 RM'000
Forward foreign exchange	186,323	167,360
Interest rate swaps	800,000	800,000
	<u>986,323</u>	<u>967,360</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 September 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.

**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**

HLFG Group recorded a profit before tax of RM812.6 million for the current quarter ended 30 September 2013 as compared to RM688.7 million in the previous corresponding quarter, an increase of RM123.9 million or 18.0%. This is a very good first quarter performance contributed not only by Hong Leong Bank Group but across the Group.

Hong Leong Bank Group recorded a higher profit before tax of RM699.3 million for the current quarter ended 30 September 2013 as compared to RM637.5 million in the previous corresponding quarter, an increase of RM61.8 million or 9.7%. The increase was mainly due higher net income of RM26.9 million, write back of impairment losses of RM14.0 million, higher write back on allowance for impairment losses on loans, advances and financing of RM3.3 million and higher share of profit from Bank of Chengdu and the Sichuan Jincheng Consumer Finance joint venture totalling RM29.8 million. This was offset by higher operating expenses of RM12.1 million.

Hong Leong Capital Group recorded a profit before tax of RM18.5 million for the current quarter ended 30 September 2013 as compared to RM11.7 million in the previous corresponding quarter, an increase of RM6.8 million or 58.1%. This was mainly due to higher contributions from investment banking and stockbroking division.

HLA Holdings Group registered a profit before tax of RM81.2 million for the current quarter ended 30 September 2013 as compared to RM44.1 million in the previous corresponding quarter, an increase of RM37.1 million or 84.1%. The increase was mainly due to higher net income of RM39.7 million arising mainly from lower reserves requirements due to higher interest rates. This was offset with a lower share of profit from associate company by RM2.6 million.

**2 Current quarter against preceding quarter**

HLFG Group recorded a profit before taxation of RM812.6 million for the current quarter ended 30 September 2013 as compared to RM565.4 million for the preceding quarter, an increase of RM247.2 million or 43.7%. The overall increase in profit before tax was mainly due to higher contribution from commercial banking division and insurance division by RM195.5 million.

The Hong Leong Bank Group recorded a profit before tax of RM699.3 million for the current quarter ended 30 September 2013 as compared to RM529.3 million in the preceding quarter, an increase of RM170.1 million arising from higher net income of RM54.4 million, lower allowance for impairment losses on loans, advances and financing of RM46.3 million, lower operating expenses of RM39.6 million, higher write back of impairment losses of RM12.9 million coupled with higher share of profit from Bank of Chengdu and the Sichuan Jincheng Consumer Finance joint venture of RM16.9 million.

The Hong Leong Capital Group recorded a profit before tax of RM18.5 million for the current quarter ended 30 September 2013 as compared to RM21.9 million in the preceding quarter, a decrease of RM3.4 million or 15.5%. This was mainly due to lower contribution from its investment banking and stockbroking division offset by higher contribution from its fund management and unit trust division.

The HLA Holdings Group recorded a profit before tax of RM81.2 million for the current quarter ended 30 September 2013 as compared to RM55.8 million in the preceding quarter, an increase of RM25.4 million or 45.5%. The increase was mainly due to higher net income of RM28.4 million arising mainly from lower reserves requirement due to higher interest rates, lower overhead expenses of RM4.2 million and lower impairment loss of RM1.3 million. This was offset with a lower share of profit from associate company by RM8.5 million.

**3 Prospects for the current year**

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

**4 Variance of actual profit from forecasted profit**

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

## 5 Taxation

Provision based on profits for the financial period 30 September 2013

	Group		Group	
	Current quarter ended 30/09/2013 RM '000	Last year quarter ended 30/09/2012 RM '000	Current year to date 30/09/2013 RM '000	Last year to date 30/09/2012 RM '000
Tax expense				
Malaysia – current	(171,510)	(160,394)	(171,510)	(160,394)
Transfer from deferred tax	(3,705)	(8,481)	(3,705)	(8,481)
	<u>(175,215)</u>	<u>(168,875)</u>	<u>(175,215)</u>	<u>(168,875)</u>
Prior year under provision				
- Malaysia	8	(1,602)	8	(1,602)
	<u>(175,207)</u>	<u>(170,477)</u>	<u>(175,207)</u>	<u>(170,477)</u>

  

	Company		Company	
	Current quarter ended 30/09/2013 RM '000	Last year quarter ended 30/09/2012 RM '000	Current year to date 30/09/2013 RM '000	Last year to date 30/09/2012 RM '000
Tax expense				
Transfer to deferred tax	287	-	287	-
	<u>287</u>	<u>-</u>	<u>287</u>	<u>-</u>

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

## 6 Sale of properties/unquoted investments

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

## 7 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.

## 8 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 to provide HLB with the flexibility to reward the eligible executives and/or Directors of HLB and its subsidiaries ("HLB Group") ("HLB Eligible Executives") for their contribution to the HLB Group with awards of HLB shares without any contribution payable by the HLB Eligible Executives ("HLB Grants") ("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 HLB Grants under the Proposed HLB ESGS ("Proposed Listing of New HLB Shares"); and
- (iii) other relevant authorities/parties, if required.

Bursa Securities had, via its letter dated 10 September 2013, resolved to approve in-principle the Proposed Listing of New HLB Shares and the shareholders of HLB had, at the Annual General Meeting held on 23 October 2013, approved the Proposed HLB ESGS.

- (b) On 29 July 2013, HLFG proposed to establish an executive share grant scheme to provide HLFG with the flexibility to reward the eligible executives and/or Directors of HLFG and its subsidiaries ("HLFG Group") ("HLFG Eligible Executives") for their contribution to the HLFG Group with awards of HLFG shares without any contribution payable by the HLFG Eligible Executives ("HLFG Grants") ("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 HLFG Grants under the Proposed HLFG ESGS ("Proposed Listing of New HLFG Shares"); and
- (iii) other relevant authorities/parties, if required.

Bursa Securities had, via its letter dated 5 September 2013, resolved to approve in-principle the Proposed Listing of New HLFG Shares and the shareholders of HLFG had, at the Annual General Meeting held on 29 October 2013, approved the Proposed HLFG ESGS.

## 9 Group borrowings

The Group borrowings include:

	<b>As at 30/09/2013 RM '000</b>	<b>As at 30/06/2013 RM '000</b>
Borrowings	3,448,097	3,526,161
Subordinated bonds	4,892,655	4,873,509
Senior Bonds	1,962,609	1,902,171
Non-innovative Tier 1 stapled securities	1,427,121	1,408,992
Innovative Tier 1 capital securities	541,962	556,042
	<u>12,272,444</u>	<u>12,266,875</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 September 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.

## 9 Group borrowings (continued)

### Subordinated bonds

	Note	As at 30/09/2013 RM '000	As at 30/06/2013 RM '000
RM700 million Tier 2 subordinated debt, at par	(a)	685,000	685,000
Add: Interest payable		3,931	11,977
		<u>688,931</u>	<u>696,977</u>
Less: Unamortised discounts		(577)	(741)
		<u>688,354</u>	<u>696,236</u>
RM1.0 billion Tier 2 subordinated debt, at par	(b)	1,000,000	1,000,000
Add: Interest payable		17,638	6,674
		<u>1,017,638</u>	<u>1,006,674</u>
Less: Unamortised discounts		(1,118)	(1,341)
		<u>1,016,520</u>	<u>1,005,333</u>
Subordinated medium term notes, at par	(c)	1,160,000	1,160,000
Add: Interest payable		13,168	9,307
		<u>1,173,168</u>	<u>1,169,307</u>
Less: Unamortised discounts		(4,948)	(6,985)
Add: Fair value adjustments on completion of business combination accounting		2,034	3,829
		<u>1,170,254</u>	<u>1,166,151</u>
RM1.5 billion Tier 2 subordinated debt, at par	(d)	1,500,000	1,500,000
Add: Interest payable		18,308	1,295
		<u>1,518,308</u>	<u>1,501,295</u>
Less: Unamortised discounts		(2,104)	(2,271)
		<u>1,516,204</u>	<u>1,499,024</u>
RM500 million Tier 2 subordinated debt, at par	(e)	500,000	500,000
Add: Interest payable		3,329	8,815
		<u>503,329</u>	<u>508,815</u>
Less: Unamortised discounts		(2,006)	(2,050)
		<u>501,323</u>	<u>506,765</u>
		<u>4,892,655</u>	<u>4,873,509</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.



## 9 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 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.

## 9 Group borrowings (continued)

### Senior Bonds

	Note	As at 30/09/2013 RM '000	As at 30/06/2013 RM '000
USD 300 million senior bonds, at par	(a)	916,350	916,350
USD 300 million senior bonds, at par	(b)	919,200	919,200
Foreign exchange translations		120,750	60,150
		<u>1,956,300</u>	<u>1,895,700</u>
Add: Interest payable		15,182	16,192
		<u>1,971,482</u>	<u>1,911,892</u>
Less: Unamortised discounts		(8,873)	(9,721)
		<u>1,962,609</u>	<u>1,902,171</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 30/09/2013 RM '000	As at 30/06/2013 RM '000
RM1.4 billion Non-Innovative Tier 1 stapled securities, at par	1,400,000	1,400,000
Add: Interest payable	28,667	10,847
	<u>1,428,667</u>	<u>1,410,847</u>
Less: Unamortised discounts	(1,546)	(1,855)
	<u>1,427,121</u>	<u>1,408,992</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.

## 9 Group borrowings (continued)

### Innovative Tier 1 capital securities

	<b>As at 30/09/2013 RM '000</b>	<b>As at 30/06/2013 RM '000</b>
RM500 million Innovative Tier 1 capital securities, at par	500,000	500,000
Add: Interest payable	<u>2,373</u>	<u>12,658</u>
	502,373	512,658
Less: Unamortised discounts	(9,642)	(10,012)
Add: Fair value adjustments on completion of business combination accounting	<u>49,231</u>	<u>53,396</u>
	<u><u>541,962</u></u>	<u><u>556,042</u></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.

## 10 Off-Balance Sheet financial instruments

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

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	27,412,231	315,377	(241,963)
(ii) 1 year to 3 years	277,404	6,820	(3,344)
- Swaps			
(i) Less than 1 year	7,462,182	100,439	(73,426)
(ii) 1 year to 3 years	549,123	26,339	(11,522)
(iii) More than 3 years	3,495,205	85,359	(96,753)
- Options			
(i) Less than 1 year	4,093,874	29,621	(29,765)
(ii) 1 year to 3 years	178,347	3,576	(3,576)
- Spots			
(i) Less than 1 year	6,519	71	-
Interest rate related contracts			
- Futures			
(i) Less than 1 year	12,911,884	1,835	(5,753)
(ii) 1 year to 3 years	860,001	301	(268)
(iii) More than 3 years	247,123	59	(5)
- Swaps			
(i) Less than 1 year	18,391,958	24,340	(23,378)
(ii) 1 year to 3 years	26,073,696	73,104	(108,086)
(iii) More than 3 years	32,822,409	415,429	(397,715)
Equity related contracts			
(i) Less than 1 year	97,925	2,038	(2,038)
(ii) 1 year to 3 years	10,000	4,176	-
<b>Total</b>	<b>134,889,881</b>	<b>1,088,884</b>	<b>(997,592)</b>

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

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
Foreign exchange related contracts			
- 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)
- Spots			
(i) Less than 1 year	12,641	12	(2)
Interest rate related contracts			
- 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)
Equity related contracts			
(i) Less than 1 year	54,168	1,602	(1,602)
(ii) 1 year to 3 years	10,000	4,862	-
<b>Total</b>	<b>123,290,290</b>	<b>906,483</b>	<b>(1,009,421)</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 RM244,602,526 (FYE June 2013: RM1,306,394,187) and RM71,135,406,954 (FYE June 2013: RM67,883,822,274) 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.

## 10 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 period, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM998,271,808 (FYE June 2013: RM907,598,806). 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:

## 10 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.

## 11 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.

## 12 HLFG Dividends

A single-tier interim dividend of 13 sen per share has been proposed by the Company for the current quarter.

- (i) Amount per share : 13 sen per share
- (ii) Previous corresponding period : 13 sen per share
- (iii) Entitlement date : 11 December 2013
- (iv) Payment date : 20 December 2013

## 13 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 period.

Weighted Average Number Of Ordinary Shares	Group		Group	
	Current quarter ended	Last year quarter ended	Current year to date	Last year to date
	30/09/2013 RM '000	30/09/2012 RM '000	30/09/2013 RM '000	30/09/2012 RM '000
Weighted average number of ordinary shares	1,042,847	1,039,559	1,042,847	1,039,559
Net profit attributable to shareholders of the company	430,189	347,197	430,189	347,197
Basic earnings per share (Sen)	41.3	33.4	41.3	33.4

Weighted Average Number Of Ordinary Shares	Company		Company	
	Current quarter ended	Last year quarter ended	Current year to date	Last year to date
	30/09/2013 RM '000	30/09/2012 RM '000	30/09/2013 RM '000	30/09/2012 RM '000
Weighted average number of ordinary shares	1,045,424	1,042,735	1,045,424	1,042,735
Net profit attributable to shareholders of the company	(17,871)	(8,054)	(17,871)	(8,054)
Basic earnings per share (Sen)	(1.7)	(0.8)	(1.7)	(0.8)

### 13 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 period.

Fully Diluted Weighted Average Number Of Ordinary Shares	Group		Group	
	Current quarter ended 30/09/2013 RM '000	Last year quarter ended 30/09/2012 RM '000	Current year to date 30/09/2013 RM '000	Last year to date 30/09/2012 RM '000
	Weighted average number of ordinary shares			
- during the period	1,042,847	1,039,559	1,042,847	1,039,559
- adjustment for ESOS	2,153	2,672	2,153	2,672
	<u>1,045,001</u>	<u>1,042,231</u>	<u>1,045,001</u>	<u>1,042,231</u>
Net profit attributable to shareholders of the company	430,189	347,197	430,189	347,197
Fully diluted earnings per share (Sen)	<u>41.2</u>	<u>33.3</u>	<u>41.2</u>	<u>33.3</u>

Fully Diluted Weighted Average Number Of Ordinary Shares	Company		Company	
	Current quarter ended 30/09/2013 RM '000	Last year quarter ended 30/09/2012 RM '000	Current year to date 30/09/2013 RM '000	Last year to date 30/09/2012 RM '000
	Weighted average number of ordinary shares			
- during the period	1,045,424	1,042,735	1,045,424	1,042,735
- adjustment for ESOS	1,929	2,298	1,929	2,298
	<u>1,047,353</u>	<u>1,045,033</u>	<u>1,047,353</u>	<u>1,045,033</u>
Net profit attributable to shareholders of the company	(17,871)	(8,054)	(17,871)	(8,054)
Fully diluted earnings per share (Sen)	<u>(1.7)</u>	<u>(0.8)</u>	<u>(1.7)</u>	<u>(0.8)</u>



#### 14 Realised and unrealised profit

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

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

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

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

	<b>Group</b>	
	<b>As at 30/09/2013 RM '000</b>	<b>As at 30/06/2013 RM '000</b>
Total retained profits of the Group and its subsidiaries		
- Realised	17,931,546	17,652,955
- Unrealised	1,493,999	1,389,428
Total share of retained profits from associated companies		
- Realised	1,181,000	1,084,930
- Unrealised	1,197	497
Total share of retained profits from jointly controlled entities		
- Realised	5,304	3,234
	<u>20,613,046</u>	<u>20,131,044</u>
Less : Consolidation adjustments	(13,743,757)	(13,540,545)
Total Group retained profits as per consolidated accounts	<u>6,869,289</u>	<u>6,590,499</u>

Dated this 26 November 2013