

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF**  
**FINANCIAL POSITION AS AT 31 DECEMBER 2013**

	<b>As at 31/12/2013 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	16,555,075	19,797,580
Deposits and placements with financial institutions	5,378,976	7,154,848
Securities purchased under resale agreements	1,391,294	1,299,641
Financial assets held-for-trading	13,650,244	16,804,320
Financial investments available-for-sale	27,015,804	22,311,708
Financial investments held-to-maturity	7,654,193	4,816,670
Derivative financial instruments	848,904	906,483
Loans, advances and financing	99,809,535	96,274,952
Clients' and brokers' balances	289,772	256,474
Other receivables	934,323	1,005,249
Statutory deposits with Central Banks	3,504,579	3,457,409
Tax recoverable	19,377	19,972
Investment in associated companies	2,593,567	2,456,598
Investment in jointly controlled entities	85,473	79,945
Property and equipment	1,071,062	1,039,745
Goodwill arising on consolidation	2,410,644	2,410,644
Intangible assets	346,360	380,907
<b>Total Assets</b>	<b>183,559,182</b>	<b>180,473,145</b>
<b><u>Liabilities</u></b>		
Deposits from customers	125,917,596	123,958,705
Deposits and placements of banks and other financial institutions	9,476,015	13,110,123
Obligations on securities sold under repurchase agreements	4,791,016	1,925,777
Bills and acceptances payable	828,087	800,680
Derivatives financial instruments	891,645	1,009,421
Clients' and brokers' balances	182,714	140,353
Payables and other liabilities	5,111,604	4,574,141
Provision for claims	67,745	85,255
Provision for taxation	225,488	189,131
Deferred tax liability	198,792	221,561
Borrowings	3,328,187	3,526,161
Subordinated bonds	4,877,173	4,873,509
Senior Bonds	1,974,126	1,902,171
Non-innovative Tier 1 stapled securities	1,409,581	1,408,992
Innovative Tier 1 capital securities	548,619	556,042
Insurance funds	7,701,067	7,186,415
<b>Total Liabilities</b>	<b>167,529,455</b>	<b>165,468,437</b>
<b><u>Equity</u></b>		
Share capital	1,052,768	1,052,768
Capital reserves	2,530,468	2,234,198
Retained profits	7,016,308	6,590,499
Fair value reserve	275,807	248,221
Treasury shares for ESOS scheme	(49,410)	(49,958)
<b>Total shareholders' equity</b>	<b>10,825,941</b>	<b>10,075,728</b>
Non-controlling interests	5,203,786	4,928,980
<b>Total Equity</b>	<b>16,029,727</b>	<b>15,004,708</b>
<b>Total Liabilities and Equity</b>	<b>183,559,182</b>	<b>180,473,145</b>
<b>Commitment and Contingencies</b>	<b>178,630,253</b>	<b>167,125,844</b>
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)	10.38	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 PERIOD ENDED 31 DECEMBER 2013**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2013	quarter ended 31/12/2012	to date 31/12/2013	to date 31/12/2012
<b>THE GROUP</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Interest income	1,438,977	1,403,855	2,890,759	2,816,705
Interest expense	(835,562)	(793,381)	(1,680,124)	(1,590,060)
Net interest income	603,415	610,474	1,210,635	1,226,645
Net income from Islamic banking business	112,891	119,063	221,241	230,904
Non-interest income	460,058	431,443	917,317	783,810
Net income	1,176,364	1,160,980	2,349,193	2,241,359
Overhead expenses	(508,000)	(506,102)	(1,000,188)	(985,229)
Operating profit before allowances (Allowance for)/writeback of impairment losses on loans, advances and financing and other losses	668,364	654,878	1,349,005	1,256,130
Writeback of impairment losses	(20,531)	13,422	(2,798)	27,939
	3,844	3,550	19,206	4,859
	651,677	671,850	1,365,413	1,288,928
Share of profit after tax of equity accounted associated companies	99,680	85,355	196,450	156,244
Share of profit after tax of equity accounted jointly controlled entities	1,820	165	3,890	911
Profit before taxation	753,177	757,370	1,565,753	1,446,083
Taxation	(142,790)	(143,375)	(317,997)	(313,852)
Net profit for the financial period	610,387	613,995	1,247,756	1,132,231
Attributable to :				
Owners of the parent	411,753	430,896	841,942	778,093
Non-controlling interests	198,634	183,099	405,814	354,138
Net profit for the financial period	610,387	613,995	1,247,756	1,132,231
Earnings per share - basic (sen)	39.5	41.4	80.7	74.8
Earnings per share - fully diluted (sen)	39.4	41.3	80.6	74.6

*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 PERIOD ENDED 31 DECEMBER 2013**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/12/2013 RM '000	Last year quarter ended 31/12/2012 RM '000	Current year to date 31/12/2013 RM '000	Last year to date 31/12/2012 RM '000
<b>THE GROUP</b>				
Net profit for the financial period	610,387	613,995	1,247,756	1,132,231
Other comprehensive (loss)/income:				
<u>Items that may be reclassified subsequently to profit or loss:</u>				
Share of other comprehensive loss of associate companies	-	-	(22)	(22)
Net fair value changes on financial investments available-for-sale	90,060	53,391	35,587	108,356
Currency translation differences	4,641	589	32,794	(11,508)
Income tax relating to components of other comprehensive income	(22,513)	(10,678)	(8,895)	(21,671)
Total comprehensive income for the financial period, net of tax	<u>682,575</u>	<u>657,297</u>	<u>1,307,220</u>	<u>1,207,386</u>
Attributable to :				
Owners of the parent	485,774	469,225	893,228	846,676
Non-controlling interests	196,801	188,072	413,992	360,710
	<u>682,575</u>	<u>657,297</u>	<u>1,307,220</u>	<u>1,207,386</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 31 DECEMBER 2013**

	<b>As at 31/12/2013 RM '000</b>	<b>As at 30/06/2013 RM '000</b>
<b>THE COMPANY</b>		
<b>Assets</b>		
Cash and short term funds	10,912	10,662
Deposits and placements with financial institutions	14,692	11,677
Financial assets held-for-trading	5,019	-
Derivative financial instruments	85	860
Other receivables	56,683	60,663
Tax recoverable	17,400	17,400
Deferred tax assets	5,265	4,977
Investment in subsidiaries	15,054,505	15,105,348
Property and equipment	771	898
Intangible assets	14	11
<b>Total Assets</b>	<b>15,165,346</b>	<b>15,212,496</b>
<b>Liabilities</b>		
Derivative financial instruments	5,544	8,160
Payables and other liabilities	19,648	15,104
Borrowings	1,326,885	1,466,106
<b>Total Liabilities</b>	<b>1,352,077</b>	<b>1,489,370</b>
<b>Financed by:</b>		
Share capital	1,052,768	1,052,768
Capital reserves	391,201	388,900
Retained profits	12,406,461	12,318,619
Treasury shares for ESOS scheme	(37,161)	(37,161)
<b>Total Equity</b>	<b>13,813,269</b>	<b>13,723,126</b>
<b>Total Liabilities and Equity</b>	<b>15,165,346</b>	<b>15,212,496</b>
<b>Commitment and Contingencies</b>	<b>988,543</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 PERIOD ENDED 31 DECEMBER 2013**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/12/2013	Last year quarter ended 31/12/2012	Current year to date 31/12/2013	Last year to date 31/12/2012
	RM '000	RM '000	RM '000	RM '000
<b>THE COMPANY</b>				
Interest income	779	923	1,565	1,717
Interest expense	(12,673)	(15,121)	(26,122)	(29,845)
Net interest expense	(11,894)	(14,198)	(24,557)	(28,128)
Non-interest income	346,198	321,710	347,613	333,380
Net income	334,304	307,512	323,056	305,252
Overhead expenses	(6,891)	(6,154)	(13,801)	(11,948)
Profit before taxation	327,413	301,358	309,255	293,304
Taxation	(85,795)	(77,216)	(85,508)	(77,216)
Net profit for the financial period	241,618	224,142	223,747	216,088
Earnings per share - basic (sen)	23.1	21.5	21.4	20.7
Earnings per share - fully diluted (sen)	23.1	21.4	21.4	20.7

**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2013**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/12/2013	Last year quarter ended 31/12/2012	Current year to date 31/12/2013	Last year to date 31/12/2012
	RM '000	RM '000	RM '000	RM '000
<b>THE COMPANY</b>				
Net profit for the financial period	241,618	224,142	223,747	216,088
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive income for the financial period	241,618	224,142	223,747	216,088

*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 31 DECEMBER 2013**

	Share Capital		Treasury Shares for ESOS scheme	Statutory Reserve	Other Capital Reserve	Share Options Reserve	Fair Value Reserve	Regulatory Reserve#	Exchange Fluctuation Reserve	Retained Profits	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
At 1 July 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
<b>Comprehensive income</b>													
Net profit for the financial period	-	-	-	-	-	-	-	-	-	841,942	841,942	405,814	1,247,756
Currency translation differences	-	-	-	-	-	-	-	-	23,700	-	23,700	9,094	32,794
Share of other comprehensive loss of associate companies	-	-	-	-	-	-	(15)	-	-	-	(15)	(7)	(22)
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	-	27,601	-	-	-	27,601	(909)	26,692
Total comprehensive income	-	-	-	-	-	-	27,586	-	23,700	841,942	893,228	413,992	1,307,220
<b>Transaction with owners</b>													
Transfer to statutory reserves	-	-	-	269,771	-	-	-	-	-	(269,771)	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	(14,711)	(14,711)	15,337	626
Dividends paid	-	-	-	-	-	-	-	-	-	(135,905)	(135,905)	-	(135,905)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	-	(162,109)	(162,109)
Non-controlling interests share of subsidiary treasury shares	-	-	-	-	-	-	-	-	-	-	-	7,586	7,586
Option charge arising from ESOS	-	-	-	-	-	4,209	-	-	-	-	4,209	-	4,209
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise of ESOS	-	-	548	-	-	(1,841)	-	-	-	4,685	3,392	-	3,392
Transfer to capital redemption reserve	-	-	-	-	431	-	-	-	-	(431)	-	-	-
<b>AT 31 DECEMBER 2013</b>	<b>1,052,768</b>	<b>117,229</b>	<b>(49,410)</b>	<b>2,241,529</b>	<b>134,848</b>	<b>25,136</b>	<b>275,807</b>	<b>8,527</b>	<b>3,199</b>	<b>7,016,308</b>	<b>10,825,941</b>	<b>5,203,786</b>	<b>16,029,727</b>

	Share Capital		Treasury Shares for ESOS scheme	Statutory Reserve	Other Capital Reserve	Share Options Reserve	Fair Value Reserve	Regulatory Reserve#	Exchange Fluctuation Reserve	Retained Profits	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
At 1 July 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
<b>Comprehensive income</b>													
Net profit for the financial period	-	-	-	-	-	-	-	-	-	778,093	778,093	354,138	1,132,231
Currency translation differences	-	-	-	-	-	-	-	-	(9,420)	-	(9,420)	(2,088)	(11,508)
Share of other comprehensive loss of associates	-	-	-	-	-	-	(15)	-	-	-	(15)	(7)	(22)
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	-	78,018	-	-	-	78,018	8,667	86,685
Total comprehensive income	-	-	-	-	-	-	78,003	-	(9,420)	778,093	846,676	360,710	1,207,386
<b>Transaction with owners</b>													
Transfer to statutory reserves	-	-	-	54,755	-	-	-	-	-	(54,755)	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,529)	(2,529)	1,202	(1,327)
Dividend paid	-	-	-	-	-	-	-	-	-	(135,555)	(135,555)	-	(135,555)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	-	(121,305)	(121,305)
Non-controlling interests share of subsidiary treasury shares	-	-	-	-	-	-	-	-	-	-	-	20,747	20,747
Option charge arising from ESOS	-	-	-	-	-	1,924	-	-	-	-	1,924	-	1,924
Purchase of treasury shares	-	-	(3,676)	-	-	-	-	-	-	-	(3,676)	-	(3,676)
Exercise of ESOS	-	-	958	-	-	(2,536)	-	-	-	3,304	1,726	-	1,726
Transfer to capital redemption reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>AT 31 DECEMBER 2012</b>	<b>1,052,768</b>	<b>117,229</b>	<b>(65,423)</b>	<b>1,528,211</b>	<b>133,993</b>	<b>34,833</b>	<b>257,508</b>	<b>6,045</b>	<b>(32,402)</b>	<b>6,574,313</b>	<b>9,607,075</b>	<b>4,644,548</b>	<b>14,251,623</b>

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

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

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2013**

	Share Capital RM '000	Share Premium RM '000	Other Capital Reserve RM '000	Share Options Reserve RM '000	Retained Profits RM '000	Treasury Shares for ESOS scheme RM '000	Total Equity RM '000
At 1 July 2013	1,052,768	117,229	254,991	16,680	12,318,619	(37,161)	13,723,126
Net profit for the financial period	-	-	-	-	223,747	-	223,747
Dividend paid	-	-	-	-	(135,905)	-	(135,905)
Option charge arising from ESOS	-	-	-	2,301	-	-	2,301
<b>AT 31 DECEMBER 2013</b>	<u>1,052,768</u>	<u>117,229</u>	<u>254,991</u>	<u>18,981</u>	<u>12,406,461</u>	<u>(37,161)</u>	<u>13,813,269</u>

	Share Capital RM '000	Share Premium RM '000	Other Capital Reserve RM '000	Share Options Reserve RM '000	Retained Profits RM '000	Treasury Shares for ESOS scheme RM '000	Total Equity RM '000
At 1 July 2012	1,052,768	117,229	254,991	12,078	12,362,017	(47,085)	13,751,998
Net profit for the financial period	-	-	-	-	216,088	-	216,088
Dividend paid	-	-	-	-	(135,555)	-	(135,555)
Purchase of treasury shares	-	-	-	-	-	(3,676)	(3,676)
<b>AT 31 DECEMBER 2012</b>	<u>1,052,768</u>	<u>117,229</u>	<u>254,991</u>	<u>12,078</u>	<u>12,442,550</u>	<u>(50,761)</u>	<u>13,828,855</u>

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**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOW**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2013**

	<b>The Group</b>		<b>The Company</b>	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RM '000	RM '000	RM '000	RM '000
Profit before taxation	1,565,753	1,446,083	309,255	293,304
Adjustment for non-cash items	(106,157)	(216,903)	(318,364)	(290,880)
Operating profit before working capital changes	1,459,596	1,229,180	(9,109)	2,424
Income tax (paid)/refund	(252,685)	(184,574)	-	3,113
Interest received	1,565	1,717	1,565	1,717
Changes in working capital				
Net changes in operating assets	1,591,432	(680,199)	(1,438)	(4,989)
Net changes in operating liabilities	1,724,233	(3,548,590)	1,928	3,969
<b>Net cash flow generated from/(used in) operating activities</b>	<b>4,524,141</b>	<b>(3,182,466)</b>	<b>(7,054)</b>	<b>6,234</b>
Cash flow from investing activities:				
Net purchases of financial investments available-for-sale	(4,619,896)	(4,915,486)	-	-
Net purchases of financial investments held-to-maturity	(2,837,459)	(367,326)	-	-
Interest received on financial investments available-for-sale and held-to-maturity	290,681	219,608	-	-
Purchase of intangibles assets	(28,040)	(11,180)	(7)	-
Purchase of property and equipment	(123,271)	(67,128)	(19)	(111)
Proceeds from disposal of property and equipment	32,890	1,796	123	-
Dividends received from other investments	134,262	51,502	229	401
Dividends received from subsidiaries	-	-	257,384	231,646
Dividends received from associated companies	56,086	70,361	-	-
Subscription of shares in jointly controlled company	1,628	-	-	-
Net proceeds from redemption of redeemable preference shares	-	-	50,843	26,131
<b>Net cash flow (used in)/generated from investing activities</b>	<b>(7,093,119)</b>	<b>(5,017,853)</b>	<b>308,553</b>	<b>258,067</b>
Cash flow from financing activities				
Dividends paid by the Company to shareholders	(135,905)	(135,555)	(135,905)	(135,555)
Dividends paid by the Company to non-controlling interests	(162,109)	(121,305)	-	-
Purchase of treasury shares	-	(3,676)	-	(3,676)
Proceeds from exercising of ESOS	3,392	1,726	-	-
Drawdown/(repayment) of revolving credit	155,000	(225,000)	155,000	(60,000)
Drawdown of intercompany loan	-	-	60,000	46,000
(Redemption)/issuance of medium term notes and commercial paper	(245,000)	1,905,000	(245,000)	(95,000)
Repayment of term loans	(110,000)	-	(110,000)	-
Interest paid on subordinated bonds	(108,924)	(91,154)	-	-
Interest paid on borrowings	(104,644)	(37,553)	(25,344)	(30,568)
Interest paid on senior bonds	(34,653)	(34,937)	-	-
Interest paid on non-innovative Tier 1 stapled securities	(36,230)	(36,066)	-	-
Interest paid on innovative Tier 1 capital securities	(13,145)	(11,310)	-	-
<b>Net cash flow (used in)/generated from financing activities</b>	<b>(792,218)</b>	<b>1,210,170</b>	<b>(301,249)</b>	<b>(278,799)</b>
<b>Changes in cash and cash equivalents</b>	<b>(3,361,196)</b>	<b>(6,990,149)</b>	<b>250</b>	<b>(14,498)</b>
<b>Effect of change in foreign exchange rate</b>	<b>118,691</b>	<b>(76,633)</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 31 December</b>	<b>16,555,075</b>	<b>14,516,057</b>	<b>10,912</b>	<b>26,402</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 31 DECEMBER 2013**

**1. Basis of preparation**

The unaudited condensed financial statements for the financial period ended 31 December 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, derivative financial instruments and investment properties.

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 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 financial 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 period.

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

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares in HLFG for the financial period ended 31 December 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 for ESOS scheme" 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 31 December 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 31 December 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 31 December 2013.

The remaining number of shares held by the appointed trustee for the insurance subsidiary companies as at 31 December 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 for ESOS scheme at the Group level.

## 7. Dividends paid

A single-tier interim dividend of 13.0 sen per share amounting to RM135.9 million was paid on 20 December 2013.

## 8. Segmental reporting

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

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

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

### **Business segments**

The Group comprises the following main business segments:

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

## 8. Segmental reporting (continued)

The Group 31 December 2013	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>Revenue for the period ended</b>						
External sales	2,078,203	89,071	172,041	9,878	-	2,349,193
Intersegment sales	6,174	244	1,238	351,013	(358,669)	-
	<u>2,084,377</u>	<u>89,315</u>	<u>173,279</u>	<u>360,891</u>	<u>(358,669)</u>	<u>2,349,193</u>
<b>Results for the period ended</b>						
Segment results	1,186,592	35,434	143,027	346,947	(346,587)	1,365,413
Share of profit after tax of equity accounted associated companies						196,450
Share of profit after tax of equity accounted jointly controlled entities						3,890
Profit before taxation						<u>1,565,753</u>
Taxation						(317,997)
Net profit for the financial period						<u>1,247,756</u>
Non-controlling interests						(405,814)
Profit attributable to owners of the parent						<u>841,942</u>
<b>Other information</b>						
Segment assets	165,436,619	3,539,195	14,194,313	15,514,768	(15,125,713)	<u>183,559,182</u>
Segment liabilities	151,698,564	3,013,563	11,853,772	1,510,157	(546,601)	<u>167,529,455</u>

## 8. Segmental reporting (continued)

The Group 31 December 2012	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>Revenue for the period ended</b>						
External sales	1,992,820	90,808	105,175	52,556	-	2,241,359
Intersegment sales	14,078	2,742	2,274	317,222	(336,316)	-
	<u>2,006,898</u>	<u>93,550</u>	<u>107,449</u>	<u>369,778</u>	<u>(336,316)</u>	<u>2,241,359</u>
<b>Results for the period ended</b>						
Segment results	1,145,508	26,482	77,340	351,527	(311,929)	1,288,928
Share of profit after tax of equity accounted associated companies						156,244
Share of profit after tax of equity accounted jointly controlled entities						911
Profit before taxation						<u>1,446,083</u>
Taxation						<u>(313,852)</u>
Net profit for the financial period						1,132,231
Non-controlling interests						<u>(354,138)</u>
Profit attributable to owners of the parent						<u><u>778,093</u></u>
<b>Other information</b>						
Segment assets	154,283,115	3,253,791	12,078,616	15,758,733	(15,289,705)	<u>170,084,550</u>
Segment liabilities	141,920,205	2,833,061	9,940,473	1,759,136	(630,729)	<u>155,822,146</u>

## 9. Financial assets held-for-trading

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2013</b>	<b>30/06/2013</b>
	<b>RM '000</b>	<b>RM '000</b>
Money market instruments:		
Government Treasury Bills	279,244	352,727
Malaysian Government Securities	1,198,815	725,325
Negotiable instruments of deposit	7,674,224	4,629,118
Bankers' acceptances and Islamic accepted bills	251,645	3,456,639
Bank Negara Malaysia bills	1,366,531	4,961,614
Malaysian Government Investment Certificates	901,203	692,661
Cagamas bonds	192,582	21,586
	<u>11,864,244</u>	<u>14,839,670</u>
Quoted securities:		
Shares in Malaysia	499,280	462,830
Shares outside Malaysia	254,466	260,463
Unit trust investments	75,234	44,496
Warrants quoted in Malaysia	582	29
Unquoted securities :		
Foreign currency bonds	97,056	246,890
Private and Islamic debts securities	859,382	949,942
Total financial assets held-for-trading	<u>13,650,244</u>	<u>16,804,320</u>

	<b>The Company</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/12/2013</b>	<b>30/06/2013</b>
	<b>RM '000</b>	<b>RM '000</b>
<b><u>At Fair Value</u></b>		
Unit Trust	<u>5,019</u>	<u>-</u>

## 10. Financial investments available-for-sale

	The Group	
	As at	As at
	31/12/2013	30/06/2013
	RM '000	RM '000
Money market instruments:		
Government Treasury Bills	621,218	371,911
Malaysian Government Securities	1,919,041	455,835
Malaysian Government Investment Certificates	2,342,610	3,104,568
Negotiable instruments of deposit	147,776	142,045
Khazanah bonds	147,940	-
Cagamas bonds	785,899	769,827
Other Government securities	1,070,737	587,898
	<u>7,035,221</u>	<u>5,432,084</u>
Quoted securities:		
Shares in Malaysia	1,129,371	806,261
Shares outside Malaysia	246,597	211,244
Warrants in Malaysia	651	93
Loan stocks in Malaysia	-	7,437
Unit trust investments	4,702,748	4,414,545
Unquoted securities :		
Shares in Malaysia	329,346	329,346
Shares outside Malaysia	3,577	3,450
Foreign currency bonds in Malaysia	4,276,587	3,396,120
Foreign currency bonds outside Malaysia	1,916,418	1,256,252
Investment-linked funds	300	300
Private debt securities	7,374,988	6,454,576
Total financial investments available-for-sale	<u>27,015,804</u>	<u>22,311,708</u>

## 11. Financial investments held-to-maturity

	The Group	
	As at	As at
	31/12/2013	30/06/2013
	RM '000	RM '000
Money market instruments:		
Malaysian Government Securities	2,744,030	1,616,218
Malaysian Government Investment Certificates	3,397,461	2,309,047
Negotiable instruments of deposit	204,713	5,833
Cagamas bonds	106,794	86,879
Bankers' acceptances	143,053	-
Other Government securities	116,251	2,541
	<u>6,712,302</u>	<u>4,020,518</u>
Unquoted securities :		
Loan stocks	53	120
Private and Islamic debt securities	689,072	550,634
Foreign currency bonds outside Malaysia	199,280	192,912
Unquoted bonds	486	486
Investment in preference shares	53,000	52,000
Total financial investments held-to-maturity	<u>7,654,193</u>	<u>4,816,670</u>

## 12. Loans, advances and financing

	The Group	
	As at 31/12/2013 RM '000	As at 30/06/2013 RM '000
Overdrafts	4,213,939	4,346,203
Term loans :		
- Housing loans/financing	43,597,321	41,135,376
- Syndicated term loan/financing	7,531,336	6,333,829
- Hire purchase receivables	17,520,852	17,408,072
- Other term loans/financing	10,022,570	9,829,885
Credit/charge card receivables	4,274,479	4,088,083
Bills receivables	1,082,315	1,292,482
Trust receipts	339,038	302,199
Claims on customers under acceptance credits	6,596,014	7,362,332
Block discounting	6,028	6,030
Revolving credits	5,177,857	4,890,538
Policy and premium loans	661,118	669,807
Staff loans	183,672	195,320
Other loans/financing	313,413	193,782
Gross loans, advances and financing	101,519,952	98,053,938
Fair value changes arising from fair value hedges	40	(7,450)
Unamortised fair value changes arising from terminated fair value hedges	1,457	15,035
Allowance for impaired loans, advances and financing:		
- collective assessment allowance	(1,206,933)	(1,260,301)
- individual assessment allowance	(504,981)	(526,270)
Total net loans, advances and financing	99,809,535	96,274,952

### (a) By type of customer

	The Group	
	As at 31/12/2013 RM '000	As at 30/06/2013 RM '000
Domestic non-bank financial institutions	230,445	293,310
Domestic business enterprises		
- small and medium enterprises	15,372,516	14,543,322
- others	19,188,634	19,613,129
Government and statutory bodies	25,227	23,538
Individuals	62,122,774	59,471,203
Other domestic entities	181,383	231,638
Foreign entities	4,398,973	3,877,798
Gross loans, advances and financing	101,519,952	98,053,938

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

	The Group	
	As at 31/12/2013 RM '000	As at 30/06/2013 RM '000
Fixed rate		
- Housing and shop loans/financing	2,901,111	3,124,510
- Hire purchase receivables/financing	17,097,848	17,035,642
- Other fixed rate loan/financing	8,317,054	7,928,003
Variable rate		
- Base lending rate plus	59,723,845	56,615,136
- Cost plus	13,374,966	12,705,033
- Other variables rates	105,128	645,614
Gross loans, advances and financing	101,519,952	98,053,938

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

### (c) By economic purpose

	The Group	
	As at	As at
	31/12/2013	30/06/2013
	RM '000	RM '000
Purchase of securities	1,121,824	1,120,307
Purchase of transport vehicles	17,464,027	17,345,812
Purchase of landed properties		
- residential	36,465,692	34,218,619
- non-residential	11,632,427	10,858,636
Purchase of fixed assets (excluding landed properties)	610,969	555,874
Personal use	3,491,293	3,502,241
Credit card	4,274,479	4,088,083
Purchase of consumer durables	456	472
Construction	1,180,999	1,163,851
Mergers and acquisition	349,901	447,926
Working capital	21,779,721	21,803,772
Others	3,148,164	2,948,345
Gross loans, advances and financing	<u>101,519,952</u>	<u>98,053,938</u>

### (d) By geographical distribution

	The Group	
	As at	As at
	31/12/2013	30/06/2013
	RM '000	RM '000
In Malaysia	98,384,344	95,329,667
Outside Malaysia		
- Singapore	2,850,609	2,480,476
- Vietnam	251,574	243,795
- Cambodia	33,425	-
Gross loans, advances and financing	<u>101,519,952</u>	<u>98,053,938</u>

### (e) By residual contractual maturity

	The Group	
	As at	As at
	31/12/2013	30/06/2013
	RM '000	RM '000
Within one year	27,654,913	27,661,559
One year to less than three years	7,877,310	7,418,571
Three years to less than five years	9,271,472	9,087,744
Five years and more	56,716,257	53,886,064
Gross loans, advances and financing	<u>101,519,952</u>	<u>98,053,938</u>



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

### (f) Impaired loans by purpose

	The Group	
	As at 31/12/2013	As at 30/06/2013
	RM '000	RM '000
Purchase of securities	6,500	6,895
Purchase of transport vehicles	239,888	220,262
Purchase of landed properties		
- residential	255,733	246,866
- non-residential	58,026	59,554
Purchase of fixed assets (excluding landed properties)	16,417	14,576
Personal use	54,906	72,209
Credit card	50,920	60,675
Purchase of consumer durables	4	4
Construction	12,224	9,266
Working capital	604,520	635,311
Others	42,941	34,948
	<u>1,342,079</u>	<u>1,360,566</u>

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

	The Group	
	As at 31/12/2013	As at 30/06/2013
	RM '000	RM '000
In Malaysia	1,330,212	1,330,767
Outside Malaysia		
- Singapore	6,679	29,438
- Vietnam	5,188	361
	<u>1,342,079</u>	<u>1,360,566</u>

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

	The Group	
	As at 31/12/2013	As at 30/06/2013
	RM '000	RM '000
As at beginning of the financial period/year	1,360,566	1,533,270
Impaired during the financial period/year	868,617	1,852,876
Performing during the financial period/year	(451,995)	(966,418)
Amount written back in respect of recoveries	(226,385)	(503,594)
Amount written off	(212,165)	(555,307)
Exchange differences	3,441	(261)
As at end of the financial period/year	<u>1,342,079</u>	<u>1,360,566</u>
Gross impaired loan as a % of gross loans, advances and financing	<u>1.3%</u>	<u>1.4%</u>

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

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

	<b>The Group</b>	
	<b>As at 31/12/2013 RM '000</b>	<b>As at 30/06/2013 RM '000</b>
<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	126,267	183,785
Amount written off	(171,247)	(402,347)
Amount transfer to individual assessment allowance	(991)	(4,800)
Unwinding income	(8,074)	(18,751)
Exchange differences	677	(38)
As at end of the financial period/year	<u>1,206,933</u>	<u>1,260,301</u>
As % of gross loans, advances and financing less individual assessment allowance	<u>1.2%</u>	<u>1.3%</u>
<u>Individual Assessment Allowance</u>		
As at beginning of the financial period/year	526,270	543,234
Net allowance made during the period/year	35,378	190,973
Amount transfer from collective assessment allowance	991	4,800
Amount transfer to allowance for impairment losses on securities	-	(14,211)
Amount written back in respect of recoveries	(39,651)	(90,853)
Amount written off	(16,408)	(95,906)
Unwinding income	(4,062)	(11,524)
Exchange differences	2,463	(243)
As at end of the financial period/year	<u>504,981</u>	<u>526,270</u>

## 13. Other receivables

	<b>The Group</b>	
	<b>As at 31/12/2013 RM '000</b>	<b>As at 30/06/2013 RM '000</b>
Investment properties	1,680	1,680
Foreclosed properties	1,112	1,112
Sundry debtors and other prepayments	146,317	159,995
Treasury related receivable	507,281	255,608
Other receivables	277,933	586,854
	<u>934,323</u>	<u>1,005,249</u>
	<b>The Company</b>	
	<b>As at 31/12/2013 RM '000</b>	<b>As at 30/06/2013 RM '000</b>
Amount due from subsidiary companies	55,671	57,656
Sundry debtors and other prepayments	617	883
Other receivables	395	2,124
	<u>56,683</u>	<u>60,663</u>

#### 14. Deposits from customers

##### (a) By type of deposits

	The Group	
	As at	As at
	31/12/2013	30/06/2013
	RM '000	RM '000
Fixed deposits	73,859,673	73,878,772
Negotiable instruments of deposit	9,398,182	8,147,193
	<u>83,257,855</u>	<u>82,025,965</u>
Demand deposits	18,071,558	17,514,256
Savings deposits	14,618,253	14,439,487
Short term corporate placement	9,636,441	9,659,336
Others	384,551	319,661
Gross deposits from customers	<u>125,968,658</u>	<u>123,958,705</u>
Fair value changes arising from adoption of fair value option*	(51,062)	-
Total net deposits from customers	<u><u>125,917,596</u></u>	<u><u>123,958,705</u></u>

\*Note:

During the financial period, the Group had applied a fair value option on a certain class of structured deposits (Callable Range Accrual Notes), which was economically hedged via Callable Range Accrual swaps. The structured deposits was recorded at fair value to avoid an accounting mismatch.

##### (b) By type of customers:

	The Group	
	As at	As at
	31/12/2013	30/06/2013
	RM '000	RM '000
Government and statutory bodies	3,341,638	3,916,254
Business enterprises	53,204,777	49,727,955
Individuals	66,151,729	66,104,854
Others	3,270,514	4,209,642
Gross deposits from customers	<u>125,968,658</u>	<u>123,958,705</u>

##### (c) The maturity structure of fixed deposits and negotiable instruments of deposits are as follows:

	The Group	
	As at	As at
	31/12/2013	30/06/2013
	RM '000	RM '000
Due within six months	61,542,837	58,101,048
More than six months to one year	18,276,018	19,875,082
More than one year to five years	3,154,000	3,939,835
More than five years	285,000	110,000
	<u>83,257,855</u>	<u>82,025,965</u>

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

	<b>The Group</b>	
	<b>As at 31/12/2013 RM '000</b>	<b>As at 30/06/2013 RM '000</b>
Licensed banks and investment banks	7,680,117	10,643,728
Licensed Islamic banks	100,284	930,887
Other financial institutions	1,695,614	1,535,508
	<u>9,476,015</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>9,476,015</u>	<u>13,110,123</u>

**16. Payables and other liabilities**

	<b>The Group</b>	
	<b>As at 31/12/2013 RM '000</b>	<b>As at 30/06/2013 RM '000</b>
Trade payables	1,161,413	1,040,074
Amount due to Cagamas Berhad	168,054	172,115
Loan advance payment	1,717,655	1,603,098
Post employment benefits obligations - defined contribution plan	4,179	4,159
Treasury clearing	651,205	113,385
Cheque clearing	75,604	74,199
Treasury related payables	33,587	21,416
Sundry creditors and accruals	678,514	563,290
Provision for bonus and staff related expenses	171,612	208,497
Others	449,781	773,908
	<u>5,111,604</u>	<u>4,574,141</u>

	<b>The Company</b>	
	<b>As at 31/12/2013 RM '000</b>	<b>As at 30/06/2013 RM '000</b>
Amount due to subsidiary companies	1,738	1,859
Sundry creditors and accruals	687	1,643
Provision for bonus and staff related expenses	17,184	11,564
Post employment benefits obligations - defined contribution plan	39	38
	<u>19,648</u>	<u>15,104</u>

## 17. Interest income

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RM '000	RM '000	RM '000	RM '000
Loans, advances and financing	1,027,509	999,305	2,051,460	1,992,910
Money at call and deposit placements with financial institutions	119,272	81,109	261,088	180,075
Securities purchased under resale agreements	8,692	6,250	16,861	11,974
Financial assets held-for-trading	129,018	204,589	267,939	410,272
Financial investments available-for-sale	106,839	80,750	211,455	158,208
Financial investments held-to-maturity	46,274	30,218	79,159	60,246
Others	1,373	1,634	2,797	3,020
	<u>1,438,977</u>	<u>1,403,855</u>	<u>2,890,759</u>	<u>2,816,705</u>
Of which:				
Interest income earned on impaired loans, advances and financing	5,121	7,090	10,553	13,710

	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RM '000	RM '000	RM '000	RM '000
Money at call and deposit placements with financial institutions	218	278	394	436
Others	561	645	1,171	1,281
	<u>779</u>	<u>923</u>	<u>1,565</u>	<u>1,717</u>

## 18. Interest expense

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RM '000	RM '000	RM '000	RM '000
Deposits and placements of banks and other financial institutions	29,471	36,140	66,565	77,390
Deposits from customers	604,901	575,367	1,199,416	1,143,733
Short term corporate placements	46,298	73,696	104,611	153,959
Borrowings	52,908	19,799	106,670	36,621
Subordinated bonds	55,444	47,002	110,166	91,536
Senior bonds	17,478	16,784	35,248	34,335
Non-innovative Tier 1 stapled securities	18,101	18,213	36,230	36,454
Innovative Tier 1 capital securities	6,657	5,957	13,258	11,536
Others	4,304	423	7,960	4,496
	<u>835,562</u>	<u>793,381</u>	<u>1,680,124</u>	<u>1,590,060</u>
	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RM '000	RM '000	RM '000	RM '000
Borrowings	12,579	14,177	26,013	28,900
Others	94	944	109	945
	<u>12,673</u>	<u>15,121</u>	<u>26,122</u>	<u>29,845</u>

## 19. Non-Interest Income

	The Group		The Group	
	Current quarter ended 31/12/2013 RM '000	Last year quarter ended 31/12/2012 RM '000	Current year to date 31/12/2013 RM '000	Last year to date 31/12/2012 RM '000
Net income from insurance business	75,292	41,839	154,013	81,885
Net brokerage and commissions from stockbroking business	13,903	8,978	27,719	19,751
Net unit trust and asset management income	5,050	4,840	10,548	9,579
Fee income:				
Commissions	34,593	33,533	67,342	64,853
Service charges and fees	16,460	13,524	26,947	22,873
Guarantee fees	9,060	7,778	15,420	13,686
Credit card related fees	77,097	70,476	151,620	135,808
Corporate advisory fees	2,791	2,574	4,586	4,886
Commitment fees	9,278	8,652	18,520	17,163
Fee on loans, advances and financing	18,530	16,317	36,236	35,560
Placement fees	2	15,123	81	20,943
Arranger fees	3,425	3,568	10,584	5,958
Other fee income	15,858	5,228	30,459	11,560
	187,094	176,773	361,795	333,290
Gain/(loss) arising from sale of financial assets:				
Net gain from financial assets held-for-trading	8,744	18,203	8,476	28,982
Net gain from sale of financial investments available-for-sale	29,430	48,226	46,319	75,578
Net gain from redemption of financial investments held-to-maturity	55	23	64	8,401
Net gain/(loss) from sale of derivatives financial instruments	4,709	(4,223)	18,298	435
	42,938	62,229	73,157	113,396
Gross dividend income from:				
Financial assets held-for-trading	321	7,010	10,728	17,556
Financial investments available-for-sale	62,072	18,145	123,534	33,132
	62,393	25,155	134,262	50,688
Net unrealised (loss)/gain on revaluation of:				
Financial assets held-for-trading	(5,750)	42,202	21,349	37,729
Derivatives financial instruments	16,709	9,625	25,754	41,161
	10,959	51,827	47,103	78,890
Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges	(1,749)	(8,270)	(4,579)	(15,958)
Net unrealised gain on fair value changes arising from fair value hedges	-	6,595	-	9,383
Other income:				
Foreign exchange gain	57,680	53,414	100,590	87,972
Rental income	1,479	1,443	2,959	2,851
Gain on disposal of property and equipment (net)	157	673	288	860
Others	4,862	5,947	9,462	11,223
	64,178	61,477	113,299	102,906
Total non-interest income	460,058	431,443	917,317	783,810

## 19. Non-Interest Income (continued)

	The Company		The Company	
	Current quarter ended 31/12/2013 RM '000	Last year quarter ended 31/12/2012 RM '000	Current year to date 31/12/2013 RM '000	Last year to date 31/12/2012 RM '000
Fee income:				
Management fees	2,243	2,008	4,481	4,197
(Loss)/gain arising from sale of financial assets:				
Net (loss)/gain from sale of derivatives financial instruments	(1,347)	4,260	(2,749)	9,083
Gross dividend income from:				
Financial assets held-for-trading	173	385	229	401
Subsidiary companies	343,179	308,861	343,179	308,861
Net unrealised gain on revaluation of:				
Financial assets held-for-trading	-	1	-	4
Derivatives financial instruments	1,941	5,380	1,840	5,491
Other income	9	815	633	5,343
Total non-interest income	346,198	321,710	347,613	333,380

## 20. Overhead expenses

	The Group		The Group	
	Current quarter ended 31/12/2013 RM '000	Last year quarter ended 31/12/2012 RM '000	Current year to date 31/12/2013 RM '000	Last year to date 31/12/2012 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	248,834	247,520	496,216	487,679
- Medical expenses	4,575	5,837	10,465	11,434
- Training and convention expenses	6,477	9,127	9,947	14,081
- Staff welfare	2,830	4,612	6,397	7,745
- Others	9,055	10,080	16,834	17,112
<u>Establishment costs</u>				
- Depreciation of property and equipments	28,891	24,860	56,822	53,915
- Amortisation of intangible assets	23,752	27,876	47,505	52,397
- Rental	20,575	21,946	41,104	44,318
- Information technology expenses	30,580	28,269	57,511	52,786
- Security services	8,877	9,111	16,793	14,582
- Electricity, water and sewerage	5,947	6,587	11,839	16,204
- Hire of plant and machinery	3,531	2,876	7,028	6,767
- Others	7,985	6,628	16,224	12,492
<u>Marketing expenses</u>				
- Advertisement and publicity	3,956	9,918	10,585	18,075
- Credit card related fees	22,285	16,114	42,567	31,962
- Commission	3,188	4,530	6,813	8,056
- Others	5,380	3,927	9,647	8,360
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,836	3,973	6,354	8,042
- Stationery & printing	4,469	4,178	7,935	8,756
- Professional fees	17,533	16,408	38,239	38,763
- Insurance fees	8,509	4,155	14,094	8,471
- Credit card fees	20,718	17,278	40,598	33,544
- Travelling and transport expenses	1,733	2,227	3,408	3,842
- Registration and license fees	1,418	1,830	2,894	3,005
- Brokerage and commission	1,774	860	3,020	2,140
- Stamp, postage and courier	5,341	5,721	9,657	12,736
- Others	5,951	9,654	9,692	7,965
	508,000	506,102	1,000,188	985,229

## 20. Overhead expenses (continued)

	The Company		The Company	
	Current quarter ended 31/12/2013 RM '000	Last year quarter ended 31/12/2012 RM '000	Current year to date 31/12/2013 RM '000	Last year to date 31/12/2012 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	4,685	4,843	9,400	9,605
- Medical expenses	32	18	56	43
- Training and convention expenses	7	3	16	6
- Staff welfare	65	50	116	93
- Others	1,167	27	2,338	72
<u>Establishment costs</u>				
- Depreciation of property and equipments	73	89	146	178
- Amortisation of intangible assets	2	1	4	4
- Rental	211	198	422	394
- Electricity, water and sewerage	12	10	27	18
- Hire of plant and machinery	8	8	15	15
- Others	38	47	72	67
<u>Administration and general expenses</u>				
- Teletransmission expenses	5	9	14	15
- Stationery & printing	20	12	32	24
- Professional fees	282	401	508	592
- Management fees	129	129	258	258
- Travelling and transport expenses	102	26	136	82
- Others	53	283	241	482
	<u>6,891</u>	<u>6,154</u>	<u>13,801</u>	<u>11,948</u>

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

	The Group		The Group	
	Current quarter ended 31/12/2013 RM '000	Last year quarter ended 31/12/2012 RM '000	Current year to date 31/12/2013 RM '000	Last year to date 31/12/2012 RM '000
(Writeback of)/allowance for impairment losses on loans, advances and financing:				
- Individual assessment allowance	(5,085)	(3,226)	(4,273)	(11,142)
- Collective assessment allowance	76,582	61,184	126,267	118,059
Allowance for/(writeback of) impairment losses on clients' and brokers' balances:				
- Individual assessment allowance	69	343	12	464
- Collective assessment allowance	1	(135)	(14)	(112)
Writeback of impairment losses on other assets				
- Individual assessment allowance	(48)	-	(113)	-
Impaired loans and financing:				
- written off	5,509	5,364	11,846	10,114
- recovered	(56,497)	(76,952)	(130,927)	(145,322)
	<u>20,531</u>	<u>(13,422)</u>	<u>2,798</u>	<u>(27,939)</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	
	31/12/2013	30/06/2013	31/12/2013	30/06/2013	31/12/2013	30/06/2013
<b>Before deducting proposed dividends</b>						
CET I capital ratio	10.488%	10.627%	10.329%	10.156%	20.578%	33.194%
Tier I capital ratio	12.090%	12.319%	12.160%	12.062%	20.578%	33.194%
Total capital ratio	14.675%	15.179%	13.622%	13.592%	20.711%	33.288%
<b>After deducting proposed dividends</b>						
CET I capital ratio	10.240%	10.236%	10.046%	9.715%	20.578%	30.099%
Tier I capital ratio	11.842%	11.927%	11.877%	11.621%	20.578%	30.099%
Total capital ratio	14.428%	14.787%	13.339%	13.150%	20.711%	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	
	31/12/2013	30/06/2013	31/12/2013	30/06/2013	31/12/2013	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	6,307,175	6,197,372	5,095,828	4,835,280	(15,241)	(15,241)
Other Reserves	2,992,945	2,699,050	2,579,953	2,360,778	123,393	154,051
Less : Treasury Shares	(654,278)	(661,809)	(654,278)	(661,809)	-	-
Less: Other intangible assets	(334,262)	(369,415)	(321,008)	(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	-	-	-	-	-	(525)
Total CET I capital	11,192,560	10,746,178	9,641,240	9,112,139	270,138	300,271
<b>Additional Tier I capital</b>						
Non-innovative Tier I stapled securities	1,260,000	1,260,000	1,260,000	1,260,000	-	-
Innovative Tier I capital securities	450,000	450,000	450,000	450,000	-	-
Total additional Tier I capital	1,710,000	1,710,000	1,710,000	1,710,000	-	-
<b>Total Tier I capital</b>	<b>12,902,560</b>	<b>12,456,178</b>	<b>11,351,240</b>	<b>10,822,139</b>	<b>270,138</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	
	31/12/2013	30/06/2013	31/12/2013	30/06/2013	31/12/2013	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 ^	788,258	800,960	658,457	666,131	1,065	678
Subordinated obligations	3,924,000	3,924,000	3,924,000	3,924,000	-	-
	<u>4,712,258</u>	<u>4,724,960</u>	<u>4,582,457</u>	<u>4,590,131</u>	<u>2,696</u>	<u>2,309</u>
Less : Investment in subsidiary companies	-	-	(2,194,974)	(2,194,913)	(949)	(1,455)
Less : Investment in associated company	(1,869,114)	(1,752,949)	(946,505)	(946,505)	-	-
Less : Investment in jointly controlled entity	(83,847)	(79,945)	(76,711)	(76,711)	-	-
	<u>(1,952,961)</u>	<u>(1,832,894)</u>	<u>(3,218,190)</u>	<u>(3,218,129)</u>	<u>(949)</u>	<u>(1,455)</u>
<b>Total capital</b>	<u>15,661,857</u>	<u>15,348,244</u>	<u>12,715,507</u>	<u>12,194,141</u>	<u>271,885</u>	<u>301,125</u>

^ 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	
	31/12/2013	30/06/2013	31/12/2013	30/06/2013	31/12/2013	30/06/2013
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit risk	95,894,549	91,059,541	83,851,445	80,746,066	776,833	464,961
Market risk	3,620,014	3,429,463	3,361,826	3,322,591	375,555	321,448
Operational risk	7,206,969	6,628,544	6,132,471	5,649,356	160,346	118,189
Total RWA	<u>106,721,532</u>	<u>101,117,548</u>	<u>93,345,742</u>	<u>89,718,013</u>	<u>1,312,734</u>	<u>904,598</u>

Hong Leong Bank Berhad ("HLB")'s profit after tax for the half year ended 31 December 2013, had been subjected to a limited review by our external auditors. As such, HLB's profit after tax for the half year ended 31 December 2013 have been included in the capital base used in the computation of the Hong Leong Bank Group's and HLB's Capital Adequacy Ratios accordingly.

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

	Hong Leong Islamic Bank	
	31/12/2013	30/06/2013
<b>Before deducting proposed dividends</b>		
CET I capital ratio	10.258%	11.070%
Tier I capital ratio	10.258%	11.070%
Total capital ratio	<u>13.174%</u>	<u>14.153%</u>
<b>After deducting proposed dividends</b>		
CET I capital ratio	10.258%	10.720%
Tier I capital ratio	10.258%	10.720%
Total capital ratio	<u>13.174%</u>	<u>13.804%</u>

### **23. Material events subsequent to the end of the reporting period**

There are no materials events subsequent to the end of the financial period ended 31 December 2013 except for the following: -

- (a) Pursuant to the first tranche of RM410.0 million nominal value of the 10 non-callable 5 years Subordinated Medium Term Notes callable on 27 February 2014, Hong Leong Bank Berhad ("HLB"), a subsidiary of HLFGB, had received prior written consent from BNM for the exercise of the Call option. On 3 January 2014, HLB had issued a redemption notice to exercise the call option and will redeem the full nominal amount of RM410.0 million together with all accrued coupon on 27 February 2014.

### **24. Changes in composition of the Group**

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

- (a) On 4 July 2013, HLB announced that Hong Leong Bank (Cambodia) PLC ("HLBCAM"), a wholly-owned subsidiary of HLB, had been granted the license to carry out banking operations in the Kingdom of Cambodia by the National Bank of Cambodia. HLBCAM commenced operations on 8 July 2013.
- (b) HLAH Assets Sdn Bhd, a wholly-owned subsidiary of HLA Holdings Sdn Bhd which in turn a wholly-owned subsidiary of HLFGB, was dissolved on 31 August 2013.
- (c) Following the completion of the disposal of Promilia Berhad ("Promilia") by Hong Leong Capital Berhad ("HLCB"), a subsidiary of HLFGB, 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.
- (d) On 27 November 2013, HLB announced that the China Banking Regulatory Commission had granted approval for HLB to establish a representative office in Nanjing, Jiangsu Province, People's Republic of China. The representative office is known as Hong Leong Bank Berhad Nanjing Representative Office and had commenced operations effective 27 November 2013.
- (e) CFB Asa Berhad, a wholly-owned subsidiary of HLB, was dissolved on 28 November 2013.
- (f) HLG Asset Management Sdn Bhd, a wholly-owned subsidiary of HLCB, was dissolved on 30 January 2014.
- (g) On 19 February 2014, HLB announced that the liquidator of OFB Berhad ("OFB"), a wholly-owned subsidiary of HLB, had convened the final meeting for OFB to conclude the member's voluntary winding-up of OFB.

The Return by Liquidator Relating to Final Meeting of OFB was lodged on 19 February 2014 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, OFB will be dissolved.

## 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:

	<b>The Group</b>	
	<b>31/12/2013</b>	<b>30/06/2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	516,119	333,012
Certain transaction related contingent items	1,612,551	1,629,933
Short-term self liquidating		
trade related contingencies	724,823	891,468
Forward asset purchases	-	-
Underwriting obligation	-	65,000
Irrevocable commitments to extend credit:		
-maturity more than 1 year	17,139,757	14,108,639
-maturity less than 1 year	16,672,224	17,331,901
Any commitments that are unconditionally cancellable at any time by the Group without prior notice	562,903	507,022
Foreign exchange related contracts		
- less than one year	38,391,198	41,066,842
- one year to less than five years	4,299,432	3,649,055
- five years and above	723,886	603,465
Interest rate related contracts		
- less than one year	26,007,502	17,857,027
- one year to less than five years	49,158,317	45,275,873
- five years and above	14,003,733	14,773,860
Equity related contracts		
- less than one year	226,653	54,168
- one year to less than five years	11,500	10,000
Unutilised credit card lines	7,908,180	8,331,904
Others	671,475	636,675
<b>Total</b>	<b>178,630,253</b>	<b>167,125,844</b>

  

	<b>The Company</b>	
	<b>Principal Amount</b>	<b>Principal Amount</b>
	<b>31/12/2013</b>	<b>30/06/2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Forward foreign exchange	188,543	167,360
Interest rate swaps	800,000	800,000
Cross currency swaps	-	-
	<b>988,543</b>	<b>967,360</b>

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

The size of each of the five funds was above the minimum of RM1 million as at 31 December 2013.

## 26. Related party transactions

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

## 27. Fair value of financial instruments

### Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

#### **The Group**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31 December 2013</b>				
<b>Financial assets</b>				
Financial assets held-for-trading				
- Money market instruments	-	11,864,244	-	11,864,244
- Quoted securities	829,562	-	-	829,562
- Unquoted securities	-	956,438	-	956,438
Financial investments available-for-sale				
- Money market instruments	-	7,035,221	-	7,035,221
- Quoted securities	6,079,367	-	-	6,079,367
- Unquoted securities	-	13,568,293	332,923	13,901,216
Derivative financial instruments	7,979	840,925	-	848,904
	<u>6,916,908</u>	<u>34,265,121</u>	<u>332,923</u>	<u>41,514,952</u>
<b>Financial liabilities</b>				
Derivative financial instruments	7,673	883,972	-	891,645
	<u>7,673</u>	<u>883,972</u>	<u>-</u>	<u>891,645</u>
<b>30 June 2013</b>				
<b>Financial assets</b>				
Financial assets held-for-trading				
- Money market instruments	-	14,839,670	-	14,839,670
- Quoted securities	767,818	-	-	767,818
- Unquoted securities	-	1,196,832	-	1,196,832
Financial investments available-for-sale				
- Money market instruments	-	5,432,084	-	5,432,084
- Quoted securities	5,439,580	-	-	5,439,580
- Unquoted securities	-	11,107,248	332,796	11,440,044
Derivative financial instruments	1,536	904,947	-	906,483
	<u>6,208,934</u>	<u>33,480,781</u>	<u>332,796</u>	<u>40,022,511</u>
<b>Financial liabilities</b>				
Derivative financial instruments	3,790	1,005,631	-	1,009,421
	<u>3,790</u>	<u>1,005,631</u>	<u>-</u>	<u>1,009,421</u>

## 27. Fair value of financial instruments (continued)

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

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

#### **The Company**

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>31 December 2013</b>				
<b>Financial assets</b>				
Derivative financial instruments	-	85	-	85
	<u>-</u>	<u>85</u>	<u>-</u>	<u>85</u>
<b>Financial liabilities</b>				
Derivative financial instruments	-	5,544	-	5,544
	<u>-</u>	<u>5,544</u>	<u>-</u>	<u>5,544</u>
<b>30 June 2013</b>				
<b>Financial assets</b>				
Derivative financial instruments	-	860	-	860
	<u>-</u>	<u>860</u>	<u>-</u>	<u>860</u>
<b>Financial liabilities</b>				
Derivative financial instruments	-	8,160	-	8,160
	<u>-</u>	<u>8,160</u>	<u>-</u>	<u>8,160</u>

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy:

<b>The Group</b>	<b>Financial investments available-for-sale</b>	
	<b>31/12/2013 RM'000</b>	<b>30/06/2013 RM'000</b>
As at beginning of the financial period/year	332,796	315,577
Net fair value changes recognised in other comprehensive income	127	18,978
Provision of impairment losses	-	(1,759)
As at end of the financial period/year	<u>332,923</u>	<u>332,796</u>
Total gain recognised in other comprehensive income relating to assets held at the end of financial period/year	<u>127</u>	<u>18,978</u>

**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 RM753.2 million for the current quarter ended 31 December 2013 as compared to RM757.4 million in the previous corresponding quarter, a slight decrease of RM4.2 million or 0.6%. The overall decrease was mainly due to lower contribution from overseas investment portfolio, however this was mitigated by better performance from commercial banking division and insurance division.

Hong Leong Bank Group recorded a higher profit before tax of RM663.4 million for the current quarter ended 31 December 2013 as compared to RM638.3 million in the previous corresponding quarter, an increase of RM25.1 million or 3.9%. The increase was mainly due to higher net income of RM50.6 million and higher share of profit from Bank of Chengdu and the Sichuan Jincheng Consumer Finance joint venture totaling RM16.1 million. This was however offset by higher allowance for losses on loans, advances and financing of RM34.1 million and higher operating expenses of RM8.0 million.

Hong Leong Capital Group recorded a profit before tax of RM17.0 million for the current quarter ended 31 December 2013 as compared to RM14.8 million in the previous corresponding quarter, an increase of RM2.2 million or 14.9%. This was mainly due to higher contributions from its assets management division.

HLA Holdings Group registered a profit before tax of RM86.7 million for the current quarter ended 31 December 2013 as compared to RM60.4 million in the previous corresponding quarter, an increase of RM26.3 million or 43.5%. The increase was largely due to higher net income of RM26.4 million arising mainly from lower actuarial reserves due to higher interest rates.

**2 Current year-to-date against previous year-to-date**

HLFG Group recorded a profit before tax of RM1,565.8 million for the period ended 31 December 2013 as compared to RM1,446.1 million in the previous corresponding period, with an increase of RM119.7 million or 8.3%. The overall increase in profit before tax was contributed by all divisions across the Group.

Hong Leong Bank Group recorded a higher profit before tax of RM1,362.7 million for the period ended 31 December 2013 as compared to RM1,275.8 million in the previous corresponding period, an increase of RM86.9 million or 6.8%. The increase was due to higher net income by RM77.5 million, higher share of profit from Bank of Chengdu and the Sichuan Jincheng Consumer Finance joint venture totaling RM45.9 million and higher net write back of impairment losses from securities of RM14.5 million. This was however offset by higher allowance for losses on loans, advances and financing of RM30.8 million coupled with higher operating expenses of RM20.1 million.

Hong Leong Capital Group recorded a profit before tax of RM35.4 million for the period ended 31 December 2013 as compared to RM26.5 million in the previous corresponding period, an increase of RM8.9 million or 33.6%. This was mainly due to higher contribution from its assets management division.

HLA Holdings Group registered a profit before tax of RM167.8 million for the period ended 31 December 2013 as compared to RM104.4 million in the previous corresponding period, an increase of RM63.4 million or 60.7%. The increase was largely due to higher net income of RM66.2 million arising mainly from lower actuarial reserves due to higher interest rates. This was offset with lower share of profit from associated company by RM2.7 million.

### 3 Current quarter against preceding quarter

HLFG Group recorded a profit before taxation of RM753.2 million for the current quarter ended 31 December 2013 as compared to RM812.6 million for the preceding quarter, a decrease of RM59.4 million or 7.3%. The overall decrease in profit before tax was mainly due to lower contribution from commercial banking division and overseas investment portfolio.

The Hong Leong Bank Group recorded a profit before tax of RM663.4 million for the current quarter ended 31 December 2013 as compared to RM699.3 million in the preceding quarter, a decrease of RM35.9 million or 5.1% arising from higher allowance for losses on loans, advances and financing of RM38.6 million, lower write back of impairment losses from securities of RM11.3 million, lower share of profit from Bank of Chengdu and the Sichuan Jincheng Consumer Finance of RM6.9 million coupled with higher operating expenses of RM4.7 million. This was however mitigated by higher net income of RM25.6 million.

The Hong Leong Capital Group recorded a profit before tax of RM17.0 million for the current quarter ended 31 December 2013 as compared to RM18.5 million in the preceding quarter, a decrease of RM1.5 million or 8.1%. This was mainly due to higher overheads incurred.

The HLA Holdings Group recorded a profit before tax of RM86.7 million for the current quarter ended 31 December 2013 as compared to RM81.2 million in the preceding quarter, an increase of RM5.5 million or 6.8%. The increase was mainly due to higher share of profit from associate company by RM9.6 million and lower operating expenses of RM0.6 million. This was offset with a lower net income of RM4.5 million.

### 4 Prospects for the current year

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

### 5 Variance of actual profit from forecasted profit

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

### 6 Taxation

Provision based on profits for the financial period 31 December 2013

	The Group		The Group	
	Current quarter ended 31/12/2013 RM '000	Last year quarter ended 31/12/2012 RM '000	Current year to date 31/12/2013 RM '000	Last year to date 31/12/2012 RM '000
Tax expense				
Malaysia – current	(119,692)	(128,532)	(291,202)	(288,926)
Transfer from deferred tax	(23,197)	(11,964)	(26,902)	(20,445)
	<u>(142,889)</u>	<u>(140,496)</u>	<u>(318,104)</u>	<u>(309,371)</u>
Prior year under provision - Malaysia	99	(2,879)	107	(4,481)
	<u>(142,790)</u>	<u>(143,375)</u>	<u>(317,997)</u>	<u>(313,852)</u>

	The Company		The Company	
	Current quarter ended 31/12/2013 RM '000	Last year quarter ended 31/12/2012 RM '000	Current year to date 31/12/2013 RM '000	Last year to date 31/12/2012 RM '000
Tax expense				
Malaysia – current	(85,795)	(77,216)	(85,795)	(77,216)
Transfer to deferred tax	-	-	287	-
	<u>(85,795)</u>	<u>(77,216)</u>	<u>(85,508)</u>	<u>(77,216)</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.

### 7 Sale of properties/unquoted investments

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

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

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



## 9 Status of corporate proposals

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

- (a) On 25 July 2013, HLB proposed to establish an executive share grant scheme 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.

## 10 Borrowings

		The Group	
		As at 31/12/2013 RM '000	As at 30/06/2013 RM '000
	Note		
Revolving credit	(i)	155,314	-
Commercial papers	(ii)	379,474	624,103
Medium term notes	(ii), (iii)	2,613,259	2,611,813
Term loans	(iv)	180,140	290,245
		3,328,187	3,526,161
Repayment of revolving credit			
- less than one year		155,314	-
Repayment of commercial papers			
- less than one year		379,474	624,103
Repayment of medium term notes			
- less than one year		150,483	-
- one to three years		2,211,882	2,211,813
- three years and above		250,894	400,000
Repayment of term loans			
- less than one year		180,140	150,164
- one to three years		-	140,081
		3,328,187	3,526,161
		The Company	
		As at 31/12/2013 RM '000	As at 30/06/2013 RM '000
	Note		
Revolving credit	(i)	155,314	-
Commercial papers	(ii)	379,474	624,103
Medium term notes	(ii)	551,889	551,758
Term loans	(iv)	180,140	290,245
Intercompany loan	(v)	60,068	-
		1,326,885	1,466,106

## 10 Borrowings (continued)

	The Company	
	As at	As at
	31/12/2013	30/06/2013
	RM '000	RM '000
Repayment of revolving credit		
- less than one year	155,314	-
Repayment of commercial papers		
- less than one year	379,474	624,103
Repayment of medium term notes		
- less than one year	150,483	-
- one to three years	150,512	151,758
- three years and above	250,894	400,000
Repayment of term loans		
- less than one year	180,140	150,164
- one to three years	-	140,081
Repayment of intercompany loan		
- less than one year	60,068	-
	1,326,885	1,466,106

- (i) The revolving credit facilities carried interest rates ranging from 3.22% to 3.58% (30 June 2013: ranging from 3.71% to 4.21%) per annum.

The revolving credit facilities are unsecured and repayable within 12 months.

- (ii) On 14 October 2011, the Company entered into RM1.8 billion CP/MTNs Programme comprising a seven (7) years Commercial Papers (CP) programmes and a twenty (20) years Medium Term Notes (MTNs) programmes which were constituted by a Trust Deed between the Company and Malaysian Trustees Berhad as trustee. The CPs are issued at a discount and the issue price is calculated in accordance with the Rules on Fully Automated System for Issuing/Tendering ("FAST") issued by Bank Negara Malaysia at the tenure of one (1), two (2), three (3), six (6), nine (9) or twelve (12) months as the Company may select. The CPs carry interest rates ranging from 3.20% to 3.26% (30 June 2013: 3.20% to 3.42%).

The MTNs are issued at par and the issue price is calculated in accordance with the FAST Rules, at the tenure which shall be more than one (1) year as the Company may select. The MTNs carry interest rates ranging from 4.05% to 4.50% (30 June 2013: 4.05% to 4.50%) per annum.

The CP/MTNs are unsecured and the Company is required to maintain a debt to equity ratio for these facilities.

- (iii) 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.

- (iv) The Company has the following term loans for the financial period:

- (a) an unsecured short-term loan facility of RM150 million maturing on 23 January 2014. The term loan with one month interest period bears interest rate ranging from 3.62% to 3.65% (30 June 2013: 3.61% to 3.63) per annum.
- (b) an unsecured 1 year term loan of RM30 million maturing on 30 January 2014. The term loan with one month interest period bears interest rate ranging from 3.62% to 3.65% (30 June 2013: 3.61% to 3.63%) per annum.

- (v) The intercompany loan is unsecured, carry interest rate equivalent to one month KLIBOR and repayable within 12 months.

## 11 Subordinated bonds

	Note	As at 31/12/2013 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		12,458	11,977
		<u>697,458</u>	<u>696,977</u>
Less: Unamortised discounts		(433)	(741)
		<u>697,025</u>	<u>696,236</u>
RM1.0 billion Tier 2 subordinated debt, at par	(b)	1,000,000	1,000,000
Add: Interest payable		6,674	6,674
		<u>1,006,674</u>	<u>1,006,674</u>
Less: Unamortised discounts		(915)	(1,341)
		<u>1,005,759</u>	<u>1,005,333</u>
Subordinated medium term notes, at par	(c)	1,160,000	1,160,000
Add: Interest payable		9,514	9,307
		<u>1,169,514</u>	<u>1,169,307</u>
Less: Unamortised discounts		(2,810)	(6,985)
Add: Fair value adjustments on completion of business combination accounting		938	3,829
		<u>1,167,642</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		1,664	1,295
		<u>1,501,664</u>	<u>1,501,295</u>
Less: Unamortised discounts		(1,904)	(2,271)
		<u>1,499,760</u>	<u>1,499,024</u>
RM500 million Tier 2 subordinated debt, at par	(e)	500,000	500,000
Add: Interest payable		9,000	8,815
		<u>509,000</u>	<u>508,815</u>
Less: Unamortised discounts		(2,013)	(2,050)
		<u>506,987</u>	<u>506,765</u>
		<u>4,877,173</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.

## 11 Subordinated bonds (continued)

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

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

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

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

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

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

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

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

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

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

## 12 Senior Bonds

	Note	As at 31/12/2013 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		129,750	60,150
		<u>1,965,300</u>	<u>1,895,700</u>
Add: Interest payable		16,787	16,192
		<u>1,982,087</u>	<u>1,911,892</u>
Less: Unamortised discounts		(7,961)	(9,721)
		<u>1,974,126</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%.

## 13 Non-innovative Tier 1 stapled securities

	As at 31/12/2013 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	10,847	10,847
	<u>1,410,847</u>	<u>1,410,847</u>
Less: Unamortised discounts	(1,266)	(1,855)
	<u>1,409,581</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.

#### 14 Innovative Tier 1 capital securities

	As at 31/12/2013 RM '000	As at 30/06/2013 RM '000
RM500 million Innovative Tier 1 capital securities, at par	500,000	500,000
Add: Interest payable	12,771	12,658
	<u>512,771</u>	<u>512,658</u>
Less: Unamortised discounts	(9,385)	(10,012)
Add: Fair value adjustments on completion of business combination accounting	45,233	53,396
	<u>548,619</u>	<u>556,042</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.

#### 15 Off-Balance Sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 December 2013

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	28,766,275	229,857	(249,308)
(ii) 1 year to 3 years	227,334	4,214	(1,382)
- Swaps			
(i) Less than 1 year	7,372,386	97,772	(89,581)
(ii) 1 year to 3 years	611,560	29,403	(13,487)
(iii) More than 3 years	4,040,217	101,408	(128,700)
- Options			
(i) Less than 1 year	2,252,537	15,304	(14,523)
(ii) 1 year to 3 years	144,207	2,464	(2,464)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	8,263,062	4,140	(497)
(ii) 1 year to 3 years	5,283,250	537	(130)
(iii) More than 3 years	356,728	179	(89)
- Swaps			
(i) Less than 1 year	18,419,441	20,945	(21,758)
(ii) 1 year to 3 years	23,230,875	60,453	(81,574)
(iii) More than 3 years	33,616,196	276,929	(287,826)
Equity related contracts			
(i) Less than 1 year	68,090	326	(326)
(ii) 1 year to 3 years	106,823	4,973	-
(iii) More than 3 years	63,240	-	-
<b>Total</b>	<b>132,822,221</b>	<b>848,904</b>	<b>(891,645)</b>

## 15 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 RM971,418,048 (FYE June 2013: RM1,306,394,187) and RM67,899,583,273 (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.

## 15 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 RM936,635,824 (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:



## 15 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.

## 16 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.

## 17 HLFG Dividends

For the financial period ended 31 December 2013, a single-tier dividend of 13 sen per share was declared (31 December 2012: 13 sen per share) and paid on 20 December 2013.

## 18 Earnings per share

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares (excluding treasury shares) in issue during the financial period.

	The Group		The Group	
	Current quarter ended 31/12/2013 RM '000	Last year quarter ended 31/12/2012 RM '000	Current year to date 31/12/2013 RM '000	Last year to date 31/12/2012 RM '000
Net profit attributable to equity holders of the Company	411,753	430,896	841,942	778,093
Weighted average number of ordinary shares	1,042,847	1,039,651	1,042,847	1,039,651
<b>Basic earnings per share (Sen)</b>	<b>39.5</b>	<b>41.4</b>	<b>80.7</b>	<b>74.8</b>

  

	The Company		The Company	
	Current quarter ended 31/12/2013 RM '000	Last year quarter ended 31/12/2012 RM '000	Current year to date 31/12/2013 RM '000	Last year to date 31/12/2012 RM '000
Net profit attributable to equity holders of the Company	241,618	224,142	223,747	216,088
Weighted average number of ordinary shares	1,045,423	1,042,736	1,045,423	1,042,736
<b>Basic earnings per share (Sen)</b>	<b>23.1</b>	<b>21.5</b>	<b>21.4</b>	<b>20.7</b>

## 18 Earnings per share (Continued)

### (b) Fully diluted earnings per share

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

	The Group		The Group	
	Current quarter ended 31/12/2013 RM '000	Last year quarter ended 31/12/2012 RM '000	Current year to date 31/12/2013 RM '000	Last year to date 31/12/2012 RM '000
Net profit attributable to equity holders of the Company	411,753	430,896	841,942	778,093
Weighted average number of ordinary shares				
- during the period	1,042,847	1,039,651	1,042,847	1,039,651
- adjustment for ESOS	2,313	2,823	2,313	2,823
	<u>1,045,160</u>	<u>1,042,474</u>	<u>1,045,160</u>	<u>1,042,474</u>
<b>Fully diluted earnings per share (Sen)</b>	<u>39.4</u>	<u>41.3</u>	<u>80.6</u>	<u>74.6</u>

	The Company		The Company	
	Current quarter ended 31/12/2013 RM '000	Last year quarter ended 31/12/2012 RM '000	Current year to date 31/12/2013 RM '000	Last year to date 31/12/2012 RM '000
Net profit attributable to equity holders of the Company	241,618	224,142	223,747	216,088
Weighted average number of ordinary shares				
- during the period	1,045,423	1,042,736	1,045,423	1,042,736
- adjustment for ESOS	2,080	2,465	2,080	2,465
	<u>1,047,505</u>	<u>1,045,201</u>	<u>1,047,505</u>	<u>1,045,201</u>
<b>Fully diluted earnings per share (Sen)</b>	<u>23.1</u>	<u>21.4</u>	<u>21.4</u>	<u>20.7</u>

## 19 Realised and unrealised profit

	The Group	
	As at 31/12/2013 RM '000	As at 30/06/2013 RM '000
Total retained profits of the Group and its subsidiaries		
- Realised	18,060,688	17,652,955
- Unrealised	1,457,626	1,389,428
Total share of retained profits from associated companies		
- Realised	1,280,609	1,084,930
- Unrealised	1,268	497
Total share of retained profits from jointly controlled entities		
- Realised	<u>7,124</u>	<u>3,234</u>
	<u>20,807,315</u>	<u>20,131,044</u>
Less : Consolidation adjustments	(13,791,007)	(13,540,545)
Total Group retained profits as per consolidated accounts	<u>7,016,308</u>	<u>6,590,499</u>

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

The unrealised retained profits of the Group as disclosed above 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.

Dated this 25 February 2014