

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION AS AT 30 SEPTEMBER 2012

	30/09/2012	30/06/2012	01/07/2011
	Unaudited	(Restated)	(Restated)
	RM '000	RM '000	RM '000
THE GROUP			
<u>Assets</u>			
Cash and short term funds	16,337,507	21,582,839	32,424,991
Deposits and placements with financial institutions	3,540,694	4,534,620	5,213,395
Securities purchased under resale agreements	506,031	590,521	159,770
Financial assets held-for-trading	23,431,748	23,340,140	7,147,980
Financial investments available-for-sale	20,164,066	15,120,502	10,625,717
Financial investments held-to-maturity	4,833,269	4,587,966	8,108,198
Derivative financial assets	974,868	980,880	798,164
Loans, advances and financing	90,782,444	89,503,574	82,494,902
Clients' and brokers' balances	269,854	269,260	236,386
Other receivables	506,025	661,131	1,157,553
Statutory deposits with Bank Negara Malaysia	3,391,681	3,350,987	2,220,366
Tax recoverable	14,517	18,330	9,752
Investment in associated companies	2,229,931	2,209,079	1,964,951
Investment in jointly controlled entity	77,617	76,871	75,252
Property and equipment	1,044,413	1,037,885	1,010,913
Intangible assets	2,840,763	2,864,702	2,793,630
Total Assets	170,945,428	170,729,287	156,441,920
<u>Liabilities</u>			
Deposits from customers	123,995,591	123,216,802	114,748,978
Deposits and placements of banks and other financial institutions	7,286,423	10,879,507	11,445,660
Obligations on securities sold under repurchase agreements	548,195	633,797	-
Bills and acceptances payable	553,409	486,091	683,996
Derivatives financial liabilities	1,013,317	1,137,906	682,098
Clients' and brokers' balances	684,080	590,071	591,595
Payables and other liabilities	4,174,817	3,864,180	3,854,889
Provision for claims	94,083	96,818	63,763
Provision for taxation	303,927	228,967	77,351
Deferred tax liability	260,151	240,225	86,114
Bank loans	673,466	633,383	1,535,859
Subordinated obligations	4,386,534	4,369,385	2,885,028
Senior Bonds	1,837,605	1,907,793	910,810
Non-innovative Tier 1 stapled securities	1,425,524	1,407,283	1,405,706
Innovative Tier 1 capital securities	559,591	574,581	595,720
Capital market borrowing	3,024,920	1,110,955	678,381
Insurance funds	6,269,464	6,068,083	5,344,000
Total Liabilities	157,091,097	157,445,827	145,589,948
<u>Equity</u>			
Share capital	1,052,768	1,052,768	1,052,768
Capital reserves	1,764,468	1,743,186	1,490,500
Retained profits	6,322,204	5,999,574	5,256,846
Fair value reserves	205,508	165,486	148,558
Treasury shares held for ESOS scheme	(65,857)	(62,705)	(72,517)
Total shareholders' equity	9,279,091	8,898,310	7,876,155
Non-controlling interest	4,575,240	4,385,150	2,975,817
Total Equity	13,854,331	13,283,460	10,851,972
Total Liabilities and Equity	170,945,428	170,729,287	156,441,920
Commitment and Contingencies	151,963,085	153,874,343	142,202,689
Net assets per share (net of treasury shares) attributable to ordinary equity holder of the parent (RM)	8.81	8.56	7.60

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/09/2012	Last year quarter ended 30/09/2011 (Restated)	Current year to date 30/09/2012	Last year to date 30/09/2011 (Restated)
THE GROUP	RM '000	RM '000	RM '000	RM '000
Interest income	1,412,850	1,372,332	1,412,850	1,372,332
Interest expense	(796,679)	(719,279)	(796,679)	(719,279)
Net interest income	616,171	653,053	616,171	653,053
Income from Islamic banking business	111,841	96,034	111,841	96,034
Non interest income	352,367	146,260	352,367	146,260
Net income	1,080,379	895,347	1,080,379	895,347
Overhead expenses	(479,127)	(470,942)	(479,127)	(470,942)
Operating profit before allowances	601,252	424,405	601,252	424,405
Allowances for impairment on loans, advances and financing and other losses	14,517	(11,140)	14,517	(11,140)
Impairment loss	1,309	3,805	1,309	3,805
	617,078	417,070	617,078	417,070
Share of results of associated companies	70,889	73,385	70,889	73,385
Share of results of jointly controlled entity	746	168	746	168
Profit before taxation and zakat	688,713	490,623	688,713	490,623
Taxation	(170,427)	(123,338)	(170,427)	(123,338)
Zakat	(50)	(23)	(50)	(23)
Net profit for the financial period	518,236	367,262	518,236	367,262
Attributable to :				
Owners of the parents	347,197	221,982	347,197	221,982
Non-controlling interest	171,039	145,280	171,039	145,280
Net profit for the financial period	518,236	367,262	518,236	367,262
Basic earnings per ordinary share (sen)	33.4	21.4	33.4	21.4
Diluted earnings per ordinary share (sen)	33.3	21.3	33.3	21.3

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/09/2012 RM '000	Last year quarter ended 30/09/2011 (Restated) RM '000	Current year to date 30/09/2012 RM '000	Last year to date 30/09/2011 (Restated) RM '000
THE GROUP				
Net profit for the financial period	518,236	367,262	518,236	367,262
Other comprehensive income:				
Share of other comprehensive loss of associate company and jointly controlled entity	(22)	(24)	(22)	(24)
Net fair value changes on financial investments available-for-sale	54,965	(91,159)	54,965	(91,159)
Currency translation differences	(12,097)	19,435	(12,097)	19,435
Income tax relating to components of other comprehensive (loss)/income	(10,993)	18,232	(10,993)	18,232
Total comprehensive income for the financial period, net of tax	<u>550,089</u>	<u>313,746</u>	<u>550,089</u>	<u>313,746</u>
Attributable to :				
Owners of the parents	377,451	172,662	377,451	172,662
Non-controlling interest	172,638	141,084	172,638	141,084
	<u>550,089</u>	<u>313,746</u>	<u>550,089</u>	<u>313,746</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED COMPANY STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012

THE COMPANY	As at 30/09/2012 RM '000	30/06/2012 (Restated) RM '000	01/07/2011 (Restated) RM '000
<u>Assets</u>			
Cash and short term funds	19,127	40,900	114,679
Financial assets held-for-trading	8,021	-	37,814
Derivative financial assets	1,478	196	2,342
Other receivables	61,510	62,851	2,360,033
Tax recoverable	13,000	16,113	8,475
Investment in subsidiaries	15,315,650	15,240,532	13,537,942
Property and equipment	1,000	1,092	1,577
Intangible assets	12	15	12
Total Assets	15,419,798	15,361,699	16,062,874
<u>Liabilities</u>			
Derivative financial liabilities	18,716	17,545	8,454
Payables and other liabilities	111,822	12,869	5,985
Bank loans	524,072	468,332	1,515,784
Capital market borrowing	1,024,920	1,110,955	678,381
Total Liabilities	1,679,530	1,609,701	2,208,604
<u>Financed by:</u>			
Share capital	1,052,768	1,052,768	1,052,768
Capital reserves	384,298	384,298	385,777
Retained profits	12,353,963	12,362,017	12,471,511
Treasury shares held for ESOS scheme	(50,761)	(47,085)	(55,786)
Total Equity	13,740,268	13,751,998	13,854,270
Total Liabilities and Equity	15,419,798	15,361,699	16,062,874
Commitment and Contingencies	1,149,084	1,165,672	918,030

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED COMPANY STATEMENTS OF INCOME
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/09/2012	quarter ended 30/09/2011	to date 30/09/2012	to date 30/09/2011
THE COMPANY	RM '000	RM '000	RM '000	RM '000
Interest income	794	25,547	794	25,547
Interest expense	(14,724)	(20,781)	(14,724)	(20,781)
Net interest expense	(13,930)	4,766	(13,930)	4,766
Non interest income	11,670	(38,913)	11,670	(38,913)
Net income	(2,260)	(34,147)	(2,260)	(34,147)
Overhead expenses	(5,794)	(4,558)	(5,794)	(4,558)
Loss before taxation and zakat	(8,054)	(38,705)	(8,054)	(38,705)
Taxation	-	-	-	-
Net loss for the financial period	(8,054)	(38,705)	(8,054)	(38,705)
Basic earnings per ordinary share (sen)	(0.8)	(3.7)	(0.8)	(3.7)
Diluted earnings per ordinary share (sen)	(0.8)	(3.7)	(0.8)	(3.7)

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/09/2012	quarter ended 30/09/2011	to date 30/09/2012	to date 30/09/2011
THE COMPANY	RM '000	RM '000	RM '000	RM '000
Net loss for the financial period	(8,054)	(38,705)	(8,054)	(38,705)
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive loss for the financial period	(8,054)	(38,705)	(8,054)	(38,705)

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012

	Share Capital RM '000	Share Premium RM '000	Treasury Shares RM '000	Statutory Reserves RM '000	Other Capital Reserves & General Reserves RM '000	Share Options Reserves RM '000	Fair Value Reserves RM '000	Regulatory Reserve# RM '000	Exchange Fluctuation Reserves RM '000	Retained Profits RM '000	Total Shareholders' Equity RM '000	Non- Controlling Interests RM '000	Total Equity RM '000
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012													
At 1 July 2012													
- as previously reported	1,052,768	117,229	(62,705)	1,473,456	133,993	35,445	97,530	6,045	(22,982)	5,562,666	8,393,445	4,153,189	12,546,634
- prior year adjustments (Note 27)	-	-	-	-	-	-	67,956	-	-	436,908	504,865	231,961	736,826
As restated	1,052,768	117,229	(62,705)	1,473,456	133,993	35,445	165,486	6,045	(22,982)	5,999,574	8,898,310	4,385,150	13,283,460
<u>Comprehensive income</u>													
Net profit for the financial period	-	-	-	-	-	-	-	-	-	347,197	347,197	171,039	518,236
Currency translation differences	-	-	-	-	-	-	-	-	(9,768)	-	(9,768)	(2,329)	(12,097)
Share of other comprehensive income of associates	-	-	-	-	-	-	(15)	-	-	-	(15)	(7)	(22)
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	-	40,037	-	-	-	40,037	3,935	43,972
Total comprehensive income/(expense)	-	-	-	-	-	-	40,022	-	(9,768)	347,197	377,451	172,638	550,089
<u>Transaction with owners</u>													
Transfer to statutory reserves/regulatory reserves	-	-	-	32,598	-	-	-	-	-	(32,598)	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	2,525	2,525	16,896	19,421
Exercise of ESOS	-	-	524	-	-	(2,536)	-	-	-	3,001	989	-	989
Purchase of treasury shares	-	-	(3,676)	-	-	-	-	-	-	-	(3,676)	-	(3,676)
Option charge arising from ESOS	-	-	-	-	-	987	-	-	-	-	987	-	987
Restatement of deferred tax asset	-	-	-	-	-	-	-	-	-	2,505	2,505	556	3,061
AT 30 SEPTEMBER 2012	1,052,768	117,229	(65,857)	1,506,054	133,993	33,896	205,508	6,045	(32,750)	6,322,204	9,279,091	4,575,240	13,854,331
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2011													
At 1 July 2011													
- as previously reported	1,052,768	117,229	(72,517)	1,241,179	133,258	34,965	88,880	726	(36,857)	4,911,368	7,470,999	2,791,539	10,262,538
- prior year adjustments (Note 27)	-	-	-	-	-	-	59,678	-	-	345,478	405,156	184,278	589,434
As restated	1,052,768	117,229	(72,517)	1,241,179	133,258	34,965	148,558	726	(36,857)	5,256,846	7,876,155	2,975,817	10,851,972
<u>Comprehensive income</u>													
Net profit for the financial period	-	-	-	-	-	-	-	-	-	221,982	221,982	145,280	367,262
Currency translation differences	-	-	-	-	-	-	-	-	16,557	-	16,557	2,878	19,435
Share of other comprehensive income of associates	-	-	-	-	-	-	(16)	-	-	-	(16)	(8)	(24)
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	-	(61,381)	-	-	-	(61,381)	(11,546)	(72,927)
Total comprehensive (expense)/income	-	-	-	-	-	-	(61,397)	-	16,557	221,982	177,142	136,604	313,746
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(9,288)	(9,288)
Transfer to statutory reserves/regulatory reserves	-	-	-	(827,386)	-	-	-	28	-	827,386	28	-	28
Option charge arising from ESOS	-	-	-	-	-	1,854	-	-	-	-	1,854	-	1,854
Exercise of ESOS	-	-	-	-	-	(1,833)	-	-	-	3,003	1,170	-	1,170
At 30 SEPTEMBER 2011	1,052,768	117,229	(72,517)	413,793	133,258	34,986	87,161	754	(20,300)	6,309,217	8,056,349	3,103,133	11,159,482

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

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)

**UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012**

FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012	Share Capital RM '000	Share Premium RM '000	Other Capital Reserves & General Reserves RM '000	Share Options Reserves RM '000	Retained Profits RM '000	Treasury Shares RM '000	Total Equity RM '000
At 1 July 2012							
- as previously reported	1,052,768	117,229	254,991	12,078	1,217,425	(47,085)	2,607,406
- prior year adjustments (Note 27)	-	-	-	-	11,144,592	-	11,144,592
As restated	1,052,768	117,229	254,991	12,078	12,362,017	(47,085)	13,751,998
Net loss for the financial period	-	-	-	-	(8,054)	-	(8,054)
Purchase of treasury shares	-	-	-	-	-	(3,676)	(3,676)
AT 30 SEPTEMBER 2012	1,052,768	117,229	254,991	12,078	12,353,963	(50,761)	13,740,268
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2011	Share Capital RM '000	Share Premium RM '000	Other Capital Reserves & General Reserves RM '000	Share Options Reserves RM '000	Retained Profits RM '000	Treasury Shares RM '000	Total Equity RM '000
At 1 July 2011							
- as previously reported	1,052,768	117,229	254,991	13,557	1,326,919	(55,786)	2,709,678
- prior year adjustments (Note 27)	-	-	-	-	11,144,592	-	11,144,592
As restated	1,052,768	117,229	254,991	13,557	12,471,511	(55,786)	13,854,270
Net loss for the financial period	-	-	-	-	(38,705)	-	(38,705)
At 30 SEPTEMBER 2011	1,052,768	117,229	254,991	13,557	12,432,806	(55,786)	13,815,565

**UNAUDITED CONDENSED STATEMENTS OF CASH FLOW
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012**

	The Group		The Company	
	30/09/2012 RM '000	30/09/2011 RM '000 (Restated)	30/09/2012 RM '000	30/09/2011 RM '000 (Restated)
Profit/(loss) before taxation and zakat	688,713	490,623	(8,054)	(38,705)
Adjustment for non-cash items and others	(112,739)	(1,246)	9,477	30,546
Operating profit/(loss) before working capital changes	575,974	489,377	1,423	(8,159)
Proceeds from exercising of ESOS	1,978	1,170	-	-
Income tax (paid)/refund	(82,364)	(77,984)	3,113	-
Interest received	794	2,658	794	25,547
Changes in working capital				
Net changes in operating assets	126,920	(6,856,104)	(7,848)	(183)
Net changes in operating liabilities	(2,413,102)	(2,317,405)	100,128	24,265
Net cash flow (used in)/generated from operating activities	(1,789,800)	(8,758,288)	97,610	41,470
Net cash flow from investing activities:				
Net purchase of available-for-sale securities	(5,163,265)	(1,940,381)	-	-
Net purchase of held-to-maturity securities	(236,925)	(365,524)	-	-
Interest received on financial investments available-for-sale and held-to-maturity	107,486	172,572	-	-
Purchase on intangibles assets	(2,526)	(116,379)	-	-
Purchase of property and equipment	(38,523)	(25,447)	-	(37)
Proceeds from sale of property and equipment	365	10,755	-	-
Dividends received from other investments	25,945	39,728	16	145
Dividend from associated company	51,344	2,379	-	-
Subscription of redeemable preference shares	-	-	(75,118)	(160,895)
Net cash flow used in from investing activities	(5,256,099)	(2,222,297)	(75,102)	(160,787)
Net cash flow from financing activities				
Purchase of treasury shares	(3,676)	-	(3,676)	-
Drawdown of revolving credit	44,000	-	60,000	-
Issuance/(redemption) of medium term notes and commercial paper	1,908,000	(118,539)	(92,000)	(118,539)
Drawdown of borrowings	-	150,021	-	150,021
Interest paid on subordinated obligations	(56,883)	(78,686)	-	-
Interest paid on borrowings	(12,934)	(20,227)	(8,605)	(16,734)
Net cash flow generated from/(used in) financing activities	1,878,507	(67,431)	(44,281)	14,748
Changes in cash and cash equivalents	(5,167,392)	(11,048,016)	(21,773)	(104,569)
Effect of change in foreign exchange rate	(77,940)	119,490	-	-
Cash and cash equivalents as at 1 July	21,582,839	32,424,991	40,900	114,679
Cash and cash equivalents as at 30 Sept	16,337,507	21,496,465	19,127	10,110

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG” or “the Company”)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012**

1. Basis of preparation

The unaudited condensed financial statements for the financial period ended 30 September 2012 have been prepared under the historical cost convention, except for the following assets and liabilities which are stated at fair values: financial assets held-for-trading, financial investments available-for-sale and derivative financial instruments.

The unaudited condensed financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board (“MASB”) and paragraph 9.22 of the Bursa Malaysia Securities Berhad’s Listing Requirements and should be read in conjunction with the audited annual financial statements for the Group and the Company for the financial year ended 30 June 2012. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Company since the year ended 30 June 2012.

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

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

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2012, except for the adoption of the following relevant accounting standards, amendments to published accounting standards and interpretations to existing accounting standards which are effective from 1 July 2012:

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

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

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

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

3. Seasonality or cyclicity of operations

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

4. Exceptional items / unusual events affecting financial statements

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

5. Variation from financial estimates reported in preceding financial year

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

6. Issuance and repayment of debt and equity securities

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares in HLFG for the financial period ended 30 September 2012 other than as mentioned below.

Purchase of shares pursuant to ESOS

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

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

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

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

During the financial period ended 30 September 2012, the Company purchased 310,000 units of shares for RM3,675,821.

The remaining number of shares held by the appointed trustee for the Company as at 30 September 2012 was 10,032,408 units at an average price of RM5.06 per share and the total consideration paid, including transaction costs was RM50,761,024.

As at 30 September 2012, the insurance subsidiary company held a total of 3,176,092 units of the Company's shares at an average price of RM4.75 per share with total consideration paid, including transaction costs of RM15,094,769 which have been classified as treasury shares held for ESOS at the Group level.

Issuance and repayment of of debts

The issuance and repayment of debts of HLFG Group are as of that disclosed in Note 9 of the additional information required by the Bursa Malaysia security.

7. Dividends paid

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

8. Segmental reporting

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

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

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

Business segments

The Group comprises the following main business segments:

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

8. Segmental reporting (continued)

GROUP 30 SEPTEMBER 2012	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue for the period ended						
External sales	995,425	38,138	48,086	(1,270)	-	1,080,379
Intersegment sales	7,103	1,696	1,186	2,738	(12,723)	-
	<u>1,002,528</u>	<u>39,834</u>	<u>49,272</u>	<u>1,468</u>	<u>(12,723)</u>	<u>1,080,379</u>
Results for the period ended						
Segment results	575,705	11,669	34,101	(4,397)	-	617,078
Share of results of associated companies						70,889
Share of results of jointly controlled entity						746
Profit before taxation and zakat						<u>688,713</u>
Taxation and zakat						<u>(170,477)</u>
Net profit for the financial period						<u>518,236</u>
Non-controlling interest						<u>(171,039)</u>
Profit attributable to owners of the parents						<u><u>347,197</u></u>
Other information						
Segment assets	155,638,626	3,250,432	11,607,772	15,895,221	(15,446,623)	<u>170,945,428</u>
Segment liabilities	143,434,303	2,851,998	9,564,970	2,042,523	(802,697)	<u>157,091,097</u>

8. Segmental reporting (continued)

GROUP 30 SEPTEMBER 2011 (Restated)	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue for the period ended						
External sales	897,829	30,604	39,929	(73,015)	-	895,347
Intersegment sales	4,237	993	2,382	1,847	(9,459)	-
	<u>902,066</u>	<u>31,597</u>	<u>42,311</u>	<u>(71,168)</u>	<u>(9,459)</u>	<u>895,347</u>
Results for the period ended						
Segment results	453,105	9,640	29,719	(75,394)	-	417,070
Share of results of associated company						73,385
Share of results of jointly controlled entity						168
Profit before taxation and zakat						<u>490,623</u>
Taxation and zakat						<u>(123,361)</u>
Net profit for the financial period						<u>367,262</u>
Non-controlling interest						<u>(145,280)</u>
Profit attributable to owners of the parents						<u>221,982</u>
Other information						
Segment assets	142,804,490	2,838,742	8,258,269	5,380,726	(5,101,766)	<u>154,180,461</u>
Segment liabilities	135,186,606	2,232,813	6,809,506	2,649,511	(3,307,476)	<u>143,570,960</u>

9. Financial assets held-for-trading

	Group	
	As at 30/09/2012 RM '000	As at 30/06/2012 RM '000 (Restated)
<u>At Fair Value</u>		
Government Treasury Bills	141,085	253,388
Malaysian Government Securities	972,463	240,511
Negotiable instruments of deposit	4,565,426	3,445,966
Bankers' acceptances and Islamic accepted bills	3,765,408	4,204,306
Bank Negara Malaysia bills	10,969,674	11,244,208
Malaysian Government Investment Certificates	977,041	2,177,642
Cagamas bonds	-	72,214
	21,391,097	21,638,235
Quoted securities :		
Shares/Loan stocks/Unit Trust	819,121	697,565
<u>Others designated at fair value through P&L</u>		
Foreign currency bonds	274,340	390,858
Private and Islamic debts securities	947,190	613,482
Total financial assets held-for-trading	23,431,748	23,340,140

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

	Company	
	As at 30/09/2012 RM '000	As at 30/06/2012 RM '000
<u>At Fair Value</u>		
Unit Trust	8,021	-

10. Financial investments available-for-sale

	Group	
	As at 30/09/2012 RM '000	As at 30/06/2012 RM '000 (Restated)
<u>At Fair Value</u>		
Government Treasury Bills	422,491	375,160
Malaysian Government Securities	382,503	415,728
Malaysian Government Investment Certificates	3,018,428	1,369,664
Negotiable instruments of deposit	11,800	11,826
Cagamas bonds	762,288	633,775
Other Government securities	401,560	196,949
	4,999,070	3,003,102
Quoted securities :		
Shares/Loan stocks/Unit Trust	3,310,747	1,125,998
Wholesale fund	1,499,900	999,800
Unquoted securities :		
Shares in Malaysia	312,569	317,350
Shares outside Malaysia	3,342	3,469
Foreign Currency Bonds	3,765,108	3,486,589
Investment Linked funds	4,895	4,867
Private debt securities/shares/reits	6,268,435	6,179,327
Total financial investments available-for-sale	20,164,066	15,120,502

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

11. Financial investments held-to-maturity

	Group	
	As at 30/09/2012 RM '000	As at 30/06/2012 RM '000
<u>At Amortised Cost</u>		
Malaysian Government Securities	1,478,794	1,867,919
Malaysian Government Investment Certificates	1,964,364	1,091,531
Negotiable instruments of deposit	26,500	20,593
Cagamas bonds	249,754	258,310
	3,719,412	3,238,353
Quoted securities :		
Other Government securities	34,167	151,958
Unquoted securities :		
Loan stocks	288	306
Private and Islamic debt securities	996,604	1,098,123
Unquoted bonds	30,465	47,226
Investment in preference shares	52,333	52,000
Total securities financial investments held-to-maturity	4,833,269	4,587,966

12. Loans, advances and financing

	Group	
	As at 30/09/2012 RM '000	As at 30/06/2012 RM '000 (Restated)
Overdrafts	4,119,605	4,073,003
Term loans :		
- Housing loans/financing	37,836,076	37,066,670
- Syndicated term loan/financing	5,695,475	5,468,161
- Hire purchase receivables	17,425,964	17,373,330
- Lease receivables	107,344	106,391
- Other term loans/financing	10,024,472	10,114,562
Credit/charge card receivables	4,162,510	4,233,382
Bills receivables	739,284	651,240
Trust receipts	333,505	342,745
Claims on customers under acceptance credits	6,964,604	7,251,829
Block discounting	6,555	6,582
Revolving credits	4,224,345	3,770,367
Policy and premium loans	678,512	683,482
Staff loans	238,846	244,089
Other loans/financing	182,387	118,005
	<u>92,739,484</u>	<u>91,503,838</u>
Fair value changes arising from fair value hedges	12,161	23,852
Unamortised fair value changes arising from terminated fair value hedges	20,807	21,570
Less: Allowance for impaired loans, advances and financing		
- collective assessment allowance	(1,488,440)	(1,502,452)
- individual assessment allowance	(501,568)	(543,234)
Total net loans, advances and financing	<u>90,782,444</u>	<u>89,503,574</u>

12. Loans, advances and financing (continued)

(a) By type of customer

	Group	
	As at 30/09/2012 RM '000	As at 30/06/2012 RM '000
Domestic non-bank financial institutions	307,296	528,174
Domestic business enterprises		
- Small and medium enterprises	11,875,137	12,068,244
- Others	20,341,183	19,938,097
Government and statutory bodies	25,554	26,256
Individuals	56,877,731	56,250,945
Other domestic entities	44,489	29,549
Foreign entities	3,268,094	2,662,573
Gross loans, advances and financing	<u>92,739,484</u>	<u>91,503,838</u>

(b) By interest/profit rate sensitivity

	Group	
	As at 30/09/2012 RM '000	As at 30/06/2012 RM '000
Fixed rate		
- Housing loans/financing	3,269,670	2,997,728
- Hire purchase receivables	16,933,504	16,843,527
- Other fixed rate loan/financing	9,567,837	8,611,813
Variable rate		
- Base lending rate plus	50,772,998	51,203,453
- Cost plus	11,940,433	11,591,814
- Other variables rates	255,042	255,503
Gross loans, advances and financing	<u>92,739,484</u>	<u>91,503,838</u>

(c) By economic purpose

	Group	
	As at 30/09/2012 RM '000	As at 30/06/2012 RM '000
Purchase of securities	1,227,065	1,168,474
Purchase of transport vehicles	17,302,383	17,252,312
Purchase of landed properties		
- residential	31,412,461	30,691,075
- non-residential	9,984,903	9,985,329
Purchase of fixed assets	674,788	638,350
Personal use	3,611,542	3,576,501
Credit card	4,162,510	4,233,382
Purchase of consumer durables	86	103
Construction	966,478	924,674
Working capital	19,995,775	19,988,086
Mergers and acquisition	608,486	388,832
Others	2,793,007	2,656,720
Gross loans, advances and financing	<u>92,739,484</u>	<u>91,503,838</u>

12. Loans, advances and financing (continued)

(d) Impaired loans by purpose

	Group	
	As at	As at
	30/09/2012	30/06/2012
	RM '000	RM '000
Purchase of securities	10,169	11,197
Purchase of transport vehicles	247,075	216,114
Purchase of landed properties		
- residential	319,617	342,581
- non-residential	68,254	73,388
Purchase of fixed assets (excluding landed properties)	20,232	21,667
Personal use	93,836	86,654
Credit card	61,292	66,949
Purchase of consumer durables	7	7
Construction	16,980	26,388
Working capital	596,151	649,243
Others	47,143	39,082
Gross loans, advances and financing	<u>1,480,756</u>	<u>1,533,270</u>

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

	Group	
	As at	As at
	30/09/2012	30/06/2012
	RM '000	RM '000
At beginning of the financial period/year		
- as previously stated	1,533,270	1,892,304
- fair value adjustments on completion of business combination accounting	-	32,471
As restated	<u>1,533,270</u>	<u>1,924,775</u>
Impaired during the financial period/year	430,481	2,078,588
Reclassified to non-impaired	(236,803)	(1,081,218)
Amount written back in respect of recoveries	(144,594)	(808,389)
Amount written off	(99,425)	(584,256)
Exchange differences	(2,173)	3,770
At the end of the financial period/year	<u>1,480,756</u>	<u>1,533,270</u>
Gross impaired/non-performing loan as a % of gross loans, advances and financing	<u>1.6%</u>	<u>1.7%</u>

12. Loans, advances and financing (continued)

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

	Group	
	As at 30/09/2012 RM '000	As at 30/06/2012 RM '000 (Restated)
<u>Collective Assessment Allowance</u>		
At beginning of the financial period/year		
- as previously reported	1,885,320	1,576,741
- fair value adjustments on completion of business combination accounting	-	215,217
- effect on change in accounting policy	(382,868)	(254,846)
As restated	1,502,452	1,537,112
Net allowance made during the period/year	247,743	794,400
Amount written back in respect of recoveries	(190,868)	(460,188)
Amount written off	(72,454)	(416,370)
Amount transfer (to)/from individual assessment allowance	(4,800)	55,688
Unwinding income	6,393	(8,819)
Arising from acquisition of MIMB	-	1,086
Prior year adjustment for amount arising from acquisition of MIMB	-	(926)
Exchange differences	(26)	469
At the end of the financial period/year	<u>1,488,440</u>	<u>1,502,452</u>
As % of gross loans, advances and financing less loans exempted from individual assessment allowance	<u>1.6%</u>	<u>1.6%</u>
<u>Individual Assessment Allowance</u>		
At beginning of the financial period/year		
- as previously stated	543,234	670,993
- fair value adjustments on completion of business combination accounting	-	126,746
As restated	543,234	797,739
Net allowance made during the period/year	14,083	61,291
Amount transfer from/(to) collective assessment allowance	4,800	(55,688)
Amount transfer to provision for diminution in value	(12,820)	-
Amount written back in respect of recoveries	(21,999)	(139,313)
Amount written off	(20,918)	(116,873)
Unwinding income	(2,693)	(9,716)
Exchange differences	(2,119)	5,794
At the end of the financial period/year	<u>501,568</u>	<u>543,234</u>

13. Other receivables

	Group	
	As at	As at
	30/09/2012	30/06/2012
	RM '000	RM '000
Investment properties	1,680	1,680
Foreclosed properties	1,112	1,338
Sundry debtors and other prepayments	99,363	189,173
Treasury related receivable	122,806	220,591
Other receivables	281,064	248,349
	<u>506,025</u>	<u>661,131</u>

	Company	
	As at	As at
	30/09/2012	30/06/2012
	RM '000	RM '000
Amount due from subsidiary companies	60,449	60,461
Amount due from related companies	5	3
Sundry debtors and other prepayments	696	540
Other receivables	360	1,847
	<u>61,510</u>	<u>62,851</u>

14. Deposits from customers

	Group	
	As at	As at
	30/09/2012	30/06/2012
	RM '000	RM '000
Fixed deposits	74,977,755	75,220,529
Negotiable instruments of deposit	7,967,138	5,828,928
Demand deposits	15,748,993	14,644,399
Savings deposits	13,247,135	14,815,602
Short term corporate placement	11,755,923	12,311,878
Others	298,647	395,466
	<u>123,995,591</u>	<u>123,216,802</u>

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

	Group	
	As at	As at
	30/09/2012	30/06/2012
	RM '000	RM '000
One year or less (short term)	77,910,484	75,608,265
More than one year (medium/long term)	5,034,409	5,441,192
	<u>82,944,893</u>	<u>81,049,457</u>

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

	Group	
	As at	As at
	30/09/2012	30/06/2012
	RM '000	RM '000
Government and statutory bodies	3,682,327	4,479,480
Business enterprises	59,145,538	57,524,534
Individuals	59,699,673	59,427,462
Others	1,468,053	1,785,326
	<u>123,995,591</u>	<u>123,216,802</u>

15. Deposits and placements of banks and other financial institutions

	Group	
	As at 30/09/2012 RM '000	As at 30/06/2012 RM '000
Licensed banks	5,846,038	8,705,316
Licensed Islamic Bank	761,679	1,556,675
Other financial institutions	678,706	617,516
	<u>7,286,423</u>	<u>10,879,507</u>
The maturity structure of deposits and placements of banks and other financial institutions:		
One year or less (short term)	<u>7,286,423</u>	<u>10,879,507</u>

16. Payables and other liabilities

	Group	
	As at 30/09/2012 RM '000	As at 30/06/2012 RM '000
Trade payables	870,274	862,878
Amount due to Cagamas Berhad	177,845	179,719
Loan advance payment	1,509,545	1,444,836
Post employment benefits obligations - defined contribution plan	4,277	4,304
Treasury clearing	184,428	312
Cheque clearing	85,229	114,253
Treasury related payable	46,336	199,745
Sundry creditors and accruals	565,756	687,942
Provision for bonus and staff related expenses	197,529	161,299
Others	532,402	208,892
	<u>4,174,817</u>	<u>3,864,180</u>

	Company	
	As at 30/09/2012 RM '000	As at 30/06/2012 RM '000
Amount due to subsidiary companies	96,021	14
Sundry creditors and accruals	1,026	1,071
Provision for bonus and staff related expenses	14,723	11,733
Post employment benefits obligations - defined contribution plan	52	51
	<u>111,822</u>	<u>12,869</u>

17. Interest income

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 30/09/2012 RM '000	quarter ended 30/09/2011 RM '000	to date 30/09/2012 RM '000	to date 30/09/2011 RM '000
Loan, advances and financing	993,605	995,458	993,605	995,458
Money at call and deposit placements with financial institutions	98,966	155,234	98,966	155,234
Securities purchased under resale agreements	5,724	341	5,724	341
Financial assets held-for-trading	206,358	23,502	206,358	23,502
Financial investments available-for-sale	77,458	37,291	77,458	37,291
Financial investments held-to-maturity	30,028	134,829	30,028	134,829
Others	711	25,677	711	25,677
	<u>1,412,850</u>	<u>1,372,332</u>	<u>1,412,850</u>	<u>1,372,332</u>
Of which:				
Interest income earned on impaired loans, advances and financing	6,620	3,823	6,620	3,823

	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended 30/09/2012 RM '000	quarter ended 30/09/2011 RM '000	to date 30/09/2012 RM '000	to date 30/09/2011 RM '000
Money at call and deposit placements with financial institutions	158	148	158	148
Others	636	25,399	636	25,399
	<u>794</u>	<u>25,547</u>	<u>794</u>	<u>25,547</u>

18. Interest expense

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 30/09/2012 RM '000	quarter ended 30/09/2011 RM '000	to date 30/09/2012 RM '000	to date 30/09/2011 RM '000
Deposits and placements of banks and other financial institutions	42,302	23,667	42,302	23,667
Deposits from customers	568,366	526,727	568,366	526,727
Borrowings	43,216	46,377	43,216	46,377
Subordinated obligations	44,534	52,881	44,534	52,881
Short term corporate placements	80,263	59,675	80,263	59,675
Others	17,998	9,952	17,998	9,952
	<u>796,679</u>	<u>719,279</u>	<u>796,679</u>	<u>719,279</u>
	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended 30/09/2012 RM '000	quarter ended 30/09/2011 RM '000	to date 30/09/2012 RM '000	to date 30/09/2011 RM '000
Borrowings	14,724	20,781	14,724	20,781

19. Non Interest Income

	Group		Group	
	Current quarter ended 30/09/2012 RM '000	Last year quarter ended 30/09/2011 RM '000 (Restated)	Current year to date 30/09/2012 RM '000	Last year to date 30/09/2011 RM '000 (Restated)
Net income from Insurance Business	40,046	39,874	40,046	39,874
Net brokerage and commissions from stockbroking business	25,018	15,653	25,018	15,653
Net unit trust and asset management income	4,739	3,469	4,739	3,469
Fee income:				
Commissions	31,320	27,001	31,320	27,001
Service charges and fees	9,349	9,519	9,349	9,519
Guarantee fees	5,908	5,216	5,908	5,216
Credit card related fees	65,332	66,115	65,332	66,115
Corporate advisory fees	451	2,009	451	2,009
Commitment fees	8,511	7,997	8,511	7,997
Fee on loans, advances and financing	18,892	14,853	18,892	14,853
Other fee income	2,097	8,006	2,097	8,006
	141,860	140,716	141,860	140,716
Gain/(loss) arising from sale of financial assets:				
Net (loss)/gain from financial assets held-for-trading	(1,217)	5,442	(1,217)	5,442
Net gain from sale of financial investments available-for-sale	27,352	8,692	27,352	8,692
Net gain from redemption of financial investments held-to-maturity	8,378	820	8,378	820
Net gain/(loss) from sale of derivatives financial instruments	13,953	(5,705)	13,953	(5,705)
	48,466	9,249	48,466	9,249
Gross dividend income from:				
Financial assets held-for-trading	1,240	35,060	1,240	35,060
Financial investments available-for-sale	24,293	3,382	24,293	3,382
Financial investments held-to-maturity	412	466	412	466
	25,945	38,908	25,945	38,908
Net unrealised gains/(losses) on revaluation of:				
Financial assets held-for-trading	(4,473)	(49,350)	(4,473)	(49,350)
Derivatives financial instruments	31,536	(92,453)	31,536	(92,453)
	27,063	(141,803)	27,063	(141,803)
Net realised losses on fair value changes arising from fair value hedge and amortisation of fair value changes arising from terminated fair value changes	(4,987)	(4,687)	(4,987)	(4,687)
Net unrealised gains/(losses) on fair value changes arising from fair value hedges	2,788	(4,559)	2,788	(4,559)
Other income:				
Foreign exchange gain	34,558	60,546	34,558	60,546
Rental income	1,408	929	1,408	929
Gain on disposal of property and equipment	187	176	187	176
Others	4,935	(12,211)	4,935	(12,211)
	41,429	49,440	41,429	49,440
Total non interest income	352,367	146,260	352,367	146,260

19. Non Interest Income (continued)

	Company		Company	
	Current quarter ended 30/09/2012 RM '000	Last year quarter ended 30/09/2011 RM '000 (Restated)	Current year to date 30/09/2012 RM '000	Last year to date 30/09/2011 RM '000 (Restated)
Fee income:				
Management fees	2,189	1,847	2,189	1,847
Loss arising from sale of securities:				
Net loss from sale of financial assets held-for-trading	-	(3)	-	(3)
Net gain/(loss) from unwinding of derivatives	4,823	(5,705)	4,823	(5,705)
Gross dividend income from:				
Financial assets held-for-trading	16	145	16	145
Unrealised gain/(loss) on revaluation of				
Financial assets held-for-trading	3	3	3	3
Derivatives financial instruments	111	(29,030)	111	(29,030)
Other income	4,528	(6,170)	4,528	(6,170)
Total non interest income	<u>11,670</u>	<u>(38,913)</u>	<u>11,670</u>	<u>(38,913)</u>

20. Overhead expenses

	Group		Group	
	Current quarter ended 30/09/2012 RM '000	Last year quarter ended 30/09/2011 RM '000 (Restated)	Current year to date 30/09/2012 RM '000	Last year to date 30/09/2011 RM '000 (Restated)
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	240,159	260,719	240,159	260,719
- Medical expenses	5,597	4,020	5,597	4,020
- Training and convention expenses	4,954	4,311	4,954	4,311
- Staff welfare	3,133	3,313	3,133	3,313
- Others	7,032	6,939	7,032	6,939
<u>Establishment costs</u>				
- Depreciation of property and equipments	29,055	25,942	29,055	25,942
- Amortisation of intangible assets	24,521	18,994	24,521	18,994
- Security services	5,471	6,266	5,471	6,266
- Hire of plant and machinery	3,891	2,353	3,891	2,353
- Rental	22,372	19,608	22,372	19,608
- Information technology expenses	24,517	22,717	24,517	22,717
- Others	15,553	12,065	15,553	12,065
<u>Marketing expenses</u>				
- Advertisement and publicity	8,157	1,712	8,157	1,712
- Credit card related fees	15,848	20,374	15,848	20,374
- Others	7,959	6,948	7,959	6,948
<u>Administration and general expenses</u>				
- Teletransmission expenses	4,069	5,056	4,069	5,056
- Stationery & printing	4,578	5,161	4,578	5,161
- Travelling and transport expenses	1,615	1,708	1,615	1,708
- Registration and license fees	1,175	1,022	1,175	1,022
- Brokerage and commission	1,280	999	1,280	999
- Credit card fees	16,266	15,858	16,266	15,858
- Others	31,925	24,857	31,925	24,857
	<u>479,127</u>	<u>470,942</u>	<u>479,127</u>	<u>470,942</u>

20. Overhead expenses (continued)

	Company		Company	
	Current quarter ended 30/09/2012 RM '000	Last year quarter ended 30/09/2011 RM '000 (Restated)	Current year to date 30/09/2012 RM '000	Last year to date 30/09/2011 RM '000 (Restated)
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	4,762	3,026	4,762	3,026
- Medical expenses	25	20	25	20
- Training and convention expenses	3	6	3	6
- Staff welfare	43	59	43	59
- Others	45	29	45	29
<u>Establishment costs</u>				
- Depreciation of property and equipments	89	191	89	191
- Amortisation of intangible assets	3	2	3	2
- Hire of plant and machinery	7	6	7	6
- Rental	196	174	196	174
- Others	28	30	28	30
<u>Administration and general expenses</u>				
- Teletransmission expenses	6	10	6	10
- Stationery & printing	12	10	12	10
- Travelling and transport expenses	56	61	56	61
- Others	519	934	519	934
	<u>5,794</u>	<u>4,558</u>	<u>5,794</u>	<u>4,558</u>

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

	Group		Group	
	Current quarter ended 30/09/2012 RM '000	Last year quarter ended 30/09/2011 RM '000 (Restated)	Current year to date 30/09/2012 RM '000	Last year to date 30/09/2011 RM '000 (Restated)
Allowance for losses on loans, advances and financing:				
(a) Collective assessment allowance				
- made during the financial period	56,875	96,783	56,875	96,783
(b) Individual assessment allowance				
- written back	(7,916)	(9,095)	(7,916)	(9,095)
Allowance for losses on clients' and brokers' balances				
(a) Individual assessment allowance				
- made during the financial period	569	683	569	683
- written back	(448)	(1,402)	(448)	(1,402)
(b) Collective assessment allowance				
- made during the financial period	23	9	23	9
Impaired loans and financing written off	4,750	2,119	4,750	2,119
Impaired loans and financing recovered	(68,370)	(77,957)	(68,370)	(77,957)
	<u>(14,517)</u>	<u>11,140</u>	<u>(14,517)</u>	<u>11,140</u>

22. Capital adequacy

BNM guidelines require the Banking subsidiaries to maintain a certain minimum level of capital funds against the "risk-weighted" value of the assets and certain commitments and contingencies. The capital funds of the Banking subsidiaries as at 30 September 2012 and 30 June 2012 met the minimum requirement.

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad [#]	
	As at 30/09/2012 RM '000	As at 30/06/2012 RM '000 (Restated)*	As at 30/09/2012 RM '000	As at 30/06/2012 RM '000 (Restated)*	As at 30/09/2012 RM '000	As at 30/06/2012 RM '000 (Restated)*
<u>Components of Tier - 1 and Tier - 2 Capital</u>						
Tier - 1 capital						
Paid up share capital	1,879,909	1,879,909	1,879,909	1,879,909	165,000	75,000
Share premium	2,832,383	2,832,383	2,832,383	2,832,383	87,950	87,950
Retained profit	5,323,642	5,356,240	4,284,156	4,284,156	(71,611)	(71,611)
Other Reserves	2,181,588	2,157,549	1,936,966	1,927,506	83,385	83,385
Non-innovative Tier-1 stapled securities	1,397,050	1,396,630	1,397,050	1,396,630	-	-
Innovative Tier-1 capital securities	490,635	490,292	489,169	488,826	-	-
Less : Treasury Shares	(694,045)	(714,792)	(694,045)	(714,792)	-	-
Less : Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	-	-
Less : Deferred Tax	-	-	-	-	(35,469)	(35,469)
Total tier 1 capital	11,579,850	11,566,899	10,354,041	10,323,071	229,255	139,255
Tier - 2 capital						
Collective assessment allowance ^	921,460	932,830	742,109	735,127	897	1,086
Subordinated obligations	4,341,314	4,341,165	4,340,706	4,340,557	-	-
Redeemable preference shares	-	-	-	-	1,631	-
Total tier 2 capital	5,262,774	5,273,995	5,082,815	5,075,684	2,528	1,086
Total eligible tier-2 capital	5,262,774	5,273,995	5,082,815	5,075,684	2,528	1,086
Total capital	16,842,624	16,840,894	15,436,856	15,398,755	231,783	140,341
Less : Investment in associated company	(1,549,962)	(1,540,288)	(946,505)	(946,505)	-	-
Less : Investment in subsidiary companies	-	-	(2,078,061)	(2,081,933)	(1,218)	(220)
Less : Investment in jointly controlled entity	(77,617)	(76,871)	(76,711)	(76,711)	-	-
Total capital base	15,215,045	15,223,735	12,335,579	12,293,606	230,565	140,121
<u>Before deducting proposed dividends</u>						
Core Capital Ratio	12.03%	11.95%	12.11%	12.04%	23.30%	147.60%
Risk-weighted Capital Ratio	15.81%	15.73%	14.43%	14.34%	23.70%	148.50%
<u>After deducting proposed dividends</u>						
Core Capital Ratio	11.65%	11.58%	11.68%	11.61%	23.30%	147.60%
Risk-weighted Capital Ratio	15.43%	15.35%	14.00%	13.91%	23.70%	148.50%

22. Capital adequacy (continued)

Hong Leong Investment Bank Berhad formerly known as MIMB Investment Bank.

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

* The above capital adequacy ratios has been adjusted for the effect of the adoption of MFRS 139 and MFRS 1.

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

	Hong Leong Islamic Bank
As at 30 September 2012	
<u>Before deducting proposed dividends:</u>	
Core capital ratio	9.90%
Risk-weighted capital ratio	<u>13.71%</u>
<u>After deducting proposed dividends:</u>	
Core capital ratio	9.60%
Risk-weighted capital ratio	<u>13.42%</u>
As at 30 June 2012 (Restated)	
<u>Before deducting proposed dividends:</u>	
Core capital ratio	9.62%
Risk-weighted capital ratio	<u>13.47%</u>
<u>After deducting proposed dividends:</u>	
Core capital ratio	9.33%
Risk-weighted capital ratio	<u>13.19%</u>

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

23. Events after Balance Sheet date

There are no materials events subsequent to the end of the financial period ended 30 September 2012 except for the following :

- (a) On 1 October 2012, Hong Leong Capital Berhad, a subsidiary of HLFGB, announced that the entire assets, liabilities, activities, business and undertakings of Promilia Berhad (formerly known as Hong Leong Investment Bank Berhad) ["HLIB"] had been vested to Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad ["MIMB"]) on 29 September 2012 ("Vesting"). Accordingly, all of the direct subsidiaries of HLIB had, on the event day, become direct subsidiaries of MIMB.

Following the Vesting, HLIB had surrendered its merchant banking license to Bank Negara Malaysia and its Capital Markets Services License to the Securities Commission on 1 October 2012.

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 24 July 2012, HLFGB announced that the Company had, on 23 July 2012, incorporated a wholly-owned subsidiary known as HLFGB Principal Investments (L) Limited ("HLFGPI") in the Federal Territory of Labuan with an issued and paid-up share capital of USD100.00 comprising 100 ordinary shares. The intended activity for HLFGPI is investment holding.
- (b) CFB Nominees (Tempatan) Sdn Bhd and Oriental Nominee (Tempatan) Sdn Bhd, the wholly-owned subsidiaries of HLB, were dissolved on 26 September 2012.

25. Commitments and contingencies

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

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

	Group	
	Principal Amount 30/09/2012 RM'000	Principal Amount 30/06/2012 RM'000
Direct credit substitutes	455,279	494,801
Transaction-related contingent items	1,409,222	1,410,727
Short-term self liquidating trade-related contingencies	1,067,304	1,557,667
Underwriting obligation	-	71,513
Irrevocable commitments to extend credit:		
-maturity more than 1 year	13,451,706	12,720,869
-maturity less than 1 year	18,310,129	17,750,840
Any commitments that are unconditionally cancellable at any time by the bank without prior notice	430,770	304,099
Foreign exchange related contracts	32,505,326	40,657,128
Interest rate related contracts	75,802,282	69,617,031
Equity related contracts	108,410	89,041
Unutilised credit card lines	8,351,657	9,200,627
Total	151,963,085	153,874,343

The Company's commitments and contingencies

	The Company	
	Principal Amount 30/09/2012 RM'000	Principal Amount 30/06/2012 RM'000
Forward foreign exchange	231,054	247,642
Interest rate swaps	800,000	800,000
Cross currency swaps	118,030	118,030
	1,149,084	1,165,672

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

The size of each of the five funds was above the minimum of RM1 million as at 30 September 2012.

26. Related party transactions

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

27. Change in accounting policies and restatement of comparatives

(a) During the financial period, the Group and the Company changed the following accounting policy upon adoption of Malaysian Financial Reporting Standards ("MFRS")

(i) MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards" ("MFRS 1")

MFRS 1 allows entity to designate a previously recognised financial asset or financial liability at fair value through profit or loss or a financial asset as available-for-sale. Consequently, the Group and the Company have designate a previously financial assets available-for-sale to held-for-trading in accordance with adoption of MFRS 1.

(ii) Investments in subsidiaries

MFRS 1 allows the first-time adopter (a parent entity or investor) to measure its subsidiaries, in its separate financial statements at one of the following amounts on date of transition:

- a) cost, in accordance with MFRS 127 Consolidated and Separate Financial Statements; or
- b) deemed cost.

The deemed cost of such an investment shall be either:

- i) fair value at the entity's date of transition to MFRS in its separate financial statements; or
- ii) the previous GAAP carrying amount at that date.

The Group and the Company have elected to measure all its investments in subsidiaries in its separate financial statements at their FRS carrying amounts at 1 July 2011 (i.e. the transition date to MFRS).

(iii) MFRS 139 "Financial Instruments: Recognition and Measurement" ("MFRS 139") - Accounting Policy on Collective Assessment Allowance for Loans, Advances and Financing

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

With effective from 1 January 2012, BNM has removed the transitional provision for banking institution on collective evaluation of loan impairment assessment and loan loss provisioning to comply with MFRS 139 requirements. Exposures not individually known to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred but not identified yet. The required loan loss allowance is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

Previously, when a collectively assessed loans and receivable is deemed impaired, the Group reversed out the interest income recognised in income statements and set off against the interest receivable in the statements of financial position.

Upon the adoption of MFRS 139, with effect from 1 July 2012, once a collectively assessed loans and receivables has been written down as a result of an impairment loss, interest income is thereafter recognised using the original effective interest rate in the income statements.

The change in accounting policies mentioned above have been accounted for retrospectively by re-measuring the relevant financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to the Group's opening retained profits. As such, comparatives have been restated to conform with current year's presentation.

27. Change in accounting policies and restatement of comparatives (continued)

(a) During the financial period, the Group and the Company changed the following accounting policy upon adoption of Malaysian Financial Reporting Standards ("MFRS") (continued)

(iv) Unallocated surplus and AFS reserves on non-participating funds of insurance subsidiary, Hong Leong Assurance Berhad ("HLAB")

Prior to 1 July 2012, HLAB recognised unallocated surplus and AFS reserves of non-participating funds as part of actuarial insurance contract liabilities as required under Guideline BNM_GL_003-28 Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM") on 22 July 2010.

On 21 February 2012, BNM issued a revised Guideline BNM_GL_003-28, which is effective for financial period commencing 1 January 2012. Under this new guideline, only life insurance contract liabilities with discretionary participating features (including actuarial liabilities, unallocated surplus and fair value/revaluation reserves, if any, of the life fund) shall be presented as a liability in the statement of financial position. Accordingly, HLAB changed its accounting policy to classify the unallocated surplus and AFS reserves of non-participating funds from insurance contract liabilities to equity. This change in accounting policy is adopted retrospectively.

(b) During the financial period, the Group and the Company have restated certain comparatives

(i) MFRS 3 "Business Combinations"

The Group had finalised the fair value exercise and purchase price allocation in respect of the acquisition of the assets and liabilities of EON Capital Berhad in the last quarter of financial year ended 30 June 2012 as allowed by previous FRS 3 or MFRS 3 "Business Combinations". Arising from this, certain comparatives for the first quarter of previous financial year end have been restated.

Group

	As previously reported RM'000	Effect of adopting MFRS 1 MFRS 139 RM'000 RM'000		As restated RM'000
As at 30 June 2012				
Statement of financial position				
Financial assets held-for-trading	23,066,887	273,253	-	23,340,140
Financial investments available-for-sale	15,393,755	(273,253)	-	15,120,502
Loans, advances and financing	89,120,706	-	382,868	89,503,574
Provision for taxation	164,331	(2,958)	67,594	228,967
Deferred tax liability	106,196	106,866	27,163	240,225
Insurance funds	6,620,850	(552,767)	-	6,068,083
Retained profits	5,562,666	246,242	190,667	5,999,574
Fair value reserves	97,530	67,956	-	165,486
Statement of changes in equity				
Fair value reserves	97,530	67,956	-	165,486
Retained profits	5,562,666	246,242	190,667	5,999,574
Non-controlling interest	4,153,189	134,657	97,304	4,385,150

27. Change in accounting policies and restatement of comparatives (continued)

Group

	As previously	Effect of adopting		As
	reported	MFRS 1	MFRS 139	restated
	RM'000	RM'000	RM'000	RM'000
As at 1 July 2011				
Statement of financial position				
Financial assets held-for-trading	6,974,724	173,256	-	7,147,980
Financial investments available-for-sale	10,798,973	(173,256)	-	10,625,717
Loans, advances and financing	82,240,056	-	254,846	82,494,902
Provision for taxation	80,575	(3,277)	53	77,351
Deferred tax (asset)/liability	(72,694)	95,152	63,656	86,114
Insurance funds	5,834,179	(490,179)	-	5,344,000
Retained profits	4,911,368	219,135	126,343	5,256,846
Fair value reserves	88,880	59,678	-	148,558
Statement of changes in equity				
Fair value reserves	88,880	59,678	-	148,558
Retained profits	4,911,368	219,135	126,343	5,256,846
Non-controlling interest	2,791,539	119,491	64,787	2,975,817

Group

	As previously	Effect of adopting			As
	reported	MFRS 1	MFRS 3	MFRS 139	restated
	RM'000	RM'000	RM'000	RM'000	RM'000
For the financial period ended 30 September 2011					
Statement of changes in equity					
Fair value reserves	39,055	48,106	-	-	87,161
Retained profits	5,993,959	188,280	(4,981)	131,958	6,309,217
Non-controlling interest	2,919,035	118,995	(2,570)	67,673	3,103,133
Statement of income					
Non interest income	170,583	(24,323)	-	-	146,260
Overhead expenses	(460,874)	-	(10,068)	-	(470,942)
Allowances for impairment on loans, advances and financing and other losses	(22,475)	-	-	11,335	(11,140)
Profit before taxation and zakat	513,679	(24,323)	(10,068)	11,335	490,623
Taxation	(120,474)	(2,547)	2,517	(2,834)	(123,338)
Net profit for the financial period	393,182	(26,870)	(7,551)	8,501	367,262
Attributable to:					
Owners of the parents	252,202	(30,854)	(4,981)	5,615	221,982
Non-controlling interest	140,980	3,984	(2,570)	2,886	145,280
Earnings per share for profit attributable to ordinary equity holders of the Group (sen)					
- basic	24.3	(3.0)	(0.5)	0.5	21.4
- fully diluted	24.2	(3.0)	(0.5)	0.5	21.3

27. Change in accounting policies and restatement of comparatives (continued)

Company

	As previously	Effect of adopting		As
	reported	MFRS 1	MFRS 139	restated
	RM'000	RM'000	RM'000	RM'000
As at 30 June 2012				
Statement of financial position				
Investment in subsidiary companies	4,095,940	11,144,592	-	15,240,532
Retained profits	1,217,425	11,144,592	-	12,362,017
Statement of changes in equity				
Retained profits	1,217,425	11,144,592	-	12,362,017

Company

	As previously	Effect of adopting		As
	reported	MFRS 1	MFRS 139	restated
	RM'000	RM'000	RM'000	RM'000
As at 1 July 2011				
Statement of financial position				
Investment in subsidiary companies	2,393,350	11,144,592	-	13,537,942
Retained profits	1,326,919	11,144,592	-	12,471,511
Statement of changes in equity				
Retained profits	1,326,919	11,144,592	-	12,471,511

Company

	As previously	Effect of adopting		As
	reported	MFRS 1	MFRS 139	restated
	RM'000	RM'000	RM'000	RM'000
For the financial period ended				
30 September 2011				
Statement of changes in equity				
Retained profits	1,326,919	11,144,592	-	12,471,511

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

1 Review of performance

Current quarter against previous corresponding quarter

With effect from 1 July 2012, the Group and the Company had adopted Malaysian accounting standards which is the convergence of International accounting standards. The adoption of MFRSs set out below has resulted in the restatement of previous corresponding quarter financial results for an apple-to-apple comparison.

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

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

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

HLFG Group recorded a profit before tax of RM688.7 million for the current quarter ended 30 September 2012 as compared to RM490.6 million in the previous corresponding quarter with an increase of RM198.1 or 40.4% year-on-year. This was a very good first quarter performance contributed not only by Hong Leong Bank Group ("HLB") but across the Group.

Hong Leong Bank Group recorded a higher profit before tax of RM637.5 million for the current quarter ended 30 September 2012 as compared to RM513.7 million in the previous corresponding quarter, an increase of RM123.8 million. The increase in pre-tax profit was mainly due to higher non interest income of RM101.6 million, higher net income from Islamic Banking business of RM15.8 million and writeback of allowance for loans impaired of RM26.5 million. However, this was offset by lower net interest income of RM20.3 million due to narrowing net interest margins and the impact of MFRS 139 unwinding income adjustment.

Hong Leong Capital Group recorded a profit before tax of RM11.7 million for the current quarter ended 30 September 2012 as compared to RM11.0 million in the previous corresponding quarter, an increase of RM0.7 million or 6.4%. This is mainly due to higher contributions coming from the investment banking division.

HLA Holdings Group registered a profit before tax of RM44.1 million for the quarter ended 30 September 2012 as compared to RM41.3 million in the previous corresponding quarter, an increase of RM2.8 million. The increase in profit mainly due to higher non-interest income of RM5.5 million offset by higher overhead expenses by RM2.6 million.

2 Current quarter against preceding quarter

HLFG Group recorded a profit before taxation of RM688.7 million for the quarter ended 30 September 2012 as compared to RM585.3 million for the preceding quarter. The overall increase in Group's profit before tax of 17.7% as compared to preceding quarter mainly due to higher contribution from the commercial banking division by RM134.0 million, offset with a lower profit contribution from the insurance division by RM64.2 million.

The Hong Leong Bank Group recorded a profit before tax of RM637.5 million for the current quarter ended 30 September 2012 as compared to RM503.4 million in the preceding quarter. Increase in profit before tax by RM134.1 million mainly from lower allowance for impaired loans of RM81.5 million, higher non interest income of RM51.1 million, lower other operating expenses of RM33.2 million and higher share of profit from Bank of Chengdu of RM1.9 million. This is however offset by lower writeback of impairment losses of RM19.1 million, lower net interest income by RM11.5 million and lower net income from Islamic Banking business of RM3.1 million.

The Hong Leong Capital Group recorded a profit before tax of RM11.7 million for the current quarter ended 30 September 2012 as compared to RM14.6 million in the previous preceding quarter. Lower profit mainly due to higher overheads expenses incurred.

The HLA Holdings Group recorded a profit before tax of RM44.1 million as compared to RM108.3 million in the previous preceding quarter. The lower profit is mainly due to a lower non operating income of RM25.8 million and lower insurance division recognition of profit due to the annual Life fund transfer of RM66.0 million in the preceding quarter.

3 Prospects for the current year

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

4 Variance of actual profit from forecasted profit

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

5 Taxation

Provision based on profits for the financial period 30 September 2012

	Group		Group	
	Current quarter ended 30/09/2012	Last year quarter ended 30/09/2011	Current year to date 30/09/2012	Last year to date 30/09/2011
	RM '000	RM '000 (Restated)	RM '000	RM '000 (Restated)
Tax expense				
Malaysian – current	(159,413)	(124,676)	(159,413)	(124,676)
Overseas – current	(931)	-	(931)	-
Transfer (from) / to deferred tax	(8,481)	1,338	(8,481)	1,338
	<u>(168,825)</u>	<u>(123,338)</u>	<u>(168,825)</u>	<u>(123,338)</u>
Prior year under provision				
- Malaysian	(1,602)	-	(1,602)	-
	<u>(170,427)</u>	<u>(123,338)</u>	<u>(170,427)</u>	<u>(123,338)</u>

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

6 Sale of properties/unquoted investments

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

7 Purchase / sale of quoted securities of the Group

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

8 Status of corporate proposals

- (a) On 26 July 2012, Hong Leong Bank Berhad ("HLB"), a subsidiary of HLFGB proposed to establish a new executive share option scheme of up to 10% of the issued and paid-up share capital of HLB (excluding treasury shares) ("Proposed New

The Proposed New HLB ESOS is subject to the following:

- (i) approval-in-principle of Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for the new HLB shares to be issued pursuant to the exercise of the Options under the Proposed New HLB ESOS ("Proposed Listing of New HLB Shares"); and

- (ii) approval of the shareholders of HLB.

Bursa Securities had, via its letter dated 18 September 2012, resolved to approve the Proposed Listing of New HLB Shares and the shareholders of HLB had, at the Annual General Meeting held on 25 October 2012, approved the Proposed New HLB ESOS

- (b) On 30 July 2012, HLFGB proposed to establish a new executive share option scheme of up to 10% of the issued and paid-up share capital of HLFGB (excluding treasury shares) ("Proposed New HLFGB ESOS").

The Proposed New HLFGB ESOS is subject to the following:

- (i) approval-in-principle of Bursa Securities for the listing of and quotation for the new HLFGB shares to be issued pursuant to the exercise of the Options under the Proposed New HLFGB ESOS ("Proposed Listing of New HLFGB Shares"); and

- (ii) approval of the shareholders of HLFGB.

Bursa Securities had, via its letter dated 18 September 2012, resolved to approve the Proposed Listing of New HLFGB Shares and the shareholders of HLFGB had, at the Annual General Meeting held on 30 October 2012, approved the Proposed New HLFGB ESOS.

9 Group borrowings

The Group borrowings include:

	As at 30/09/2012 RM '000	As at 30/06/2012 RM '000
Bank loans	673,466	633,383
Capital market borrowing	3,024,920	1,110,955
Subordinated obligations	4,386,534	4,369,385
Senior Bonds	1,837,605	1,907,793
Non-innovative Tier 1 stapled securities	1,425,524	1,407,283
Innovative Tier 1 capital securities	559,591	574,581
	<u>11,907,640</u>	<u>10,003,380</u>

Capital market borrowings

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

The Master Debt Programme comprises the following:

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

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

As at 30 September 2012, the Company has issued RM468 million of CPs and RM550 million MTNs.

9 Group borrowings (continued)

Capital market borrowings (continued)

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.

Subordinated obligations

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 the HLB.

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

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

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

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

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

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

9 Group borrowings (continued)

Subordinated obligations (continued)

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.

Senior Bonds

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

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.

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

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

Non-innovative Tier 1 stapled securities

On 5 May 2011, HLB had completed its issuance of Non-innovative Tier 1 stapled securities ("NIT-1 stapled securities") of RM1.4 billion.

NIT-1 stapled securities 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.

Innovative Tier 1 capital securities

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

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

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

10 Off-Balance Sheet financial instruments

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

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	19,049,710	150,810	(148,557)
(ii) 1 year to 3 years	58,038	233	(526)
- Swaps			
(i) Less than 1 year	7,269,595	123,887	(67,616)
(ii) 1 year to 3 years	847,701	5,151	(7,831)
(iii) More than 3 years	2,413,133	44,185	(48,943)
- Options			
(i) Less than 1 year	2,620,982	15,979	(15,276)
(ii) 1 year to 3 years	246,167	4,758	(4,758)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	7,572,634	388	(2,769)
(ii) 1 year to 3 years	1,300,000	866	(1,933)
(iii) More than 3 years	50,000	118	-
- Swaps			
(i) Less than 1 year	12,088,033	25,352	(68,021)
(ii) 1 year to 3 years	25,416,066	102,709	(139,858)
(iii) More than 3 years	29,375,549	496,545	(506,192)
Equity related contracts			
(i) Less than 1 year	98,410	1,037	(1,037)
(ii) 1 year to 3 years	10,000	2,850	-
Total	108,416,018	974,868	(1,013,317)

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 RM894,842,083 (FYE June 2012: RM681,275,001) and RM60,040,912,090 (FYE June 2012: RM57,680,193,113) respectively.

Derivatives

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

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial year, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM963,000,120 (FYE June 2012: RM987,969,092). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

10 Off-Balance Sheet financial instruments (continued)

Credit risk (continued)

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

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.

10 Off-Balance Sheet financial instruments (continued)

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:

Fair value hedge

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

Cash flow hedge

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

11 Material litigation

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

12 HLFG Dividends

An interim dividend of 13 sen per share had been declared by the Company for the financial quarter

- (i) Amount per share : 13 sen per share (single-tier)
- (ii) Previous corresponding period : 10 sen per share (single-tier)
- (iii) Entitlement date : 3 December 2012
- (iv) Payment date : 20 December 2012

13 Earnings per share

- (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit after taxation and minority interest by the weighted average number of ordinary shares in issue during the financial year.

Weighted Average Number Of Ordinary Shares	Group		Group	
	Current quarter ended 30/09/2012 RM '000	Last year quarter ended 30/09/2011 RM '000 (Restated)	Current year to date 30/09/2012 RM '000	Last year to date 30/09/2011 RM '000 (Restated)
Weighted average number of ordinary shares	1,039,560	1,036,987	1,039,560	1,036,987
Net profit attributable to shareholders of the company	347,197	221,982	347,197	221,982
Basic earnings per share (Sen)	33.4	21.4	33.4	21.4

13 Earnings per share (Continued)

Weighted Average Number Of Ordinary Shares	Company		Company	
	Current quarter ended 30/09/2012 RM '000	Last year quarter ended 30/09/2011 RM '000 (Restated)	Current year to date 30/09/2012 RM '000	Last year to date 30/09/2011 RM '000 (Restated)
Weighted average number of ordinary shares	1,042,736	1,040,498	1,042,736	1,040,498
Net loss attributable to shareholders of the company	(8,054)	(38,705)	(8,054)	(38,705)
Basic earnings per share (Sen)	(0.8)	(3.7)	(0.8)	(3.7)

(b) Fully diluted earnings per share

Basic earnings per share is calculated by dividing the profit after taxation and minority interest by the weighted average number of ordinary shares (diluted) during the financial year.

Fully Diluted Weighted Average Number Of Ordinary Shares	Group		Group	
	Current quarter ended 30/09/2012 RM '000	Last year quarter ended 30/09/2011 RM '000 (Restated)	Current year to date 30/09/2012 RM '000	Last year to date 30/09/2011 RM '000 (Restated)
Weighted average number of ordinary shares				
- during the period	1,039,560	1,036,978	1,039,560	1,036,987
- adjustment for ESOS	2,672	5,015	2,672	5,015
Net profit attributable to shareholders of the company	347,197	221,982	347,197	221,982
Fully diluted earnings per share (Sen)	33.3	21.3	33.3	21.3

Fully Diluted Weighted Average Number Of Ordinary Shares	Company		Company	
	Current quarter ended 30/09/2012 RM '000	Last year quarter ended 30/09/2011 RM '000 (Restated)	Current year to date 30/09/2012 RM '000	Last year to date 30/09/2011 RM '000 (Restated)
Weighted average number of ordinary shares				
- during the period	1,042,736	1,040,498	1,042,736	1,040,498
- adjustment for ESOS	2,298	4,523	2,298	4,523
Net loss attributable to shareholders of the company	(8,054)	(38,705)	(8,054)	(38,705)
Fully diluted earnings per share (Sen)	(0.8)	(3.7)	(0.8)	(3.7)

14 Realised and unrealised profit

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

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

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

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

	Group As at 30/09/2012 RM '000	Group As at 30/06/2012 RM '000 (Restated)
Total retained profits of the Group and its subsidiaries		
- Realised	17,317,242	17,218,193
- Unrealised	1,467,474	1,053,780
Total share of retained profits from associated companies		
- Realised	791,343	721,025
- Unrealised	1,152	109
Total share of retained profits from jointly controlled entity		
- Realised	906	160
- Unrealised	-	-
	<hr/> 19,578,117	<hr/> 18,993,267
Less : Consolidated adjustment	(13,255,913)	(12,993,693)
Total Group retained profits as per consolidated accounts	<hr/> <hr/> 6,322,204	<hr/> <hr/> 5,999,574

Dated this 14 November 2012