

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF**  
**FINANCIAL POSITION AS AT 30 JUNE 2014**

	<b>As at 30/06/2014 RM '000</b>	<b>As at 30/06/2013 RM '000</b>
<b>THE GROUP</b>		
<b><u>Assets</u></b>		
Cash and short term funds	17,084,360	19,797,580
Deposits and placements with banks and other financial institutions	4,494,097	7,154,848
Securities purchased under resale agreements	2,997,197	1,299,641
Financial assets held-for-trading	13,256,502	16,804,320
Financial investments available-for-sale	27,106,786	22,311,708
Financial investments held-to-maturity	9,851,132	4,816,670
Derivative financial instruments	712,983	906,483
Loans, advances and financing	103,665,448	96,274,952
Clients' and brokers' balances	430,804	256,474
Other receivables	695,280	1,005,249
Statutory deposits with Central Banks	3,181,392	3,457,409
Tax recoverable	11,349	19,972
Investment in associates	2,796,943	2,456,598
Investment in joint ventures	90,912	79,945
Property and equipment	1,030,256	1,039,745
Goodwill	2,410,644	2,410,644
Intangible assets	360,921	380,907
<b>Total Assets</b>	<b>190,177,006</b>	<b>180,473,145</b>
<b><u>Liabilities</u></b>		
Deposits from customers	130,632,286	123,958,705
Deposits and placements of banks and other financial institutions	9,166,255	13,110,123
Obligations on securities sold under repurchase agreements	4,295,975	1,925,777
Bills and acceptances payable	358,732	800,680
Derivatives financial instruments	821,340	1,009,421
Clients' and brokers' balances	337,686	140,353
Payables and other liabilities	6,269,319	4,574,141
Provision for claims	67,088	85,255
Provision for taxation	38,583	189,131
Deferred tax liabilities	210,017	221,561
Borrowings	5,307,604	5,428,332
Subordinated obligations	5,359,614	4,873,509
Non-innovative Tier 1 stapled securities	1,410,252	1,408,992
Innovative Tier 1 capital securities	541,767	556,042
Insurance funds	8,355,757	7,186,415
<b>Total Liabilities</b>	<b>173,172,275</b>	<b>165,468,437</b>
<b><u>Equity</u></b>		
Share capital	1,052,768	1,052,768
Capital reserves	2,712,327	2,234,198
Retained profits	7,447,552	6,590,499
Fair value reserve	287,257	248,221
Treasury shares for ESOS	(25,422)	(49,958)
<b>Total shareholders' equity</b>	<b>11,474,482</b>	<b>10,075,728</b>
Non-controlling interests	5,530,249	4,928,980
<b>Total Equity</b>	<b>17,004,731</b>	<b>15,004,708</b>
<b>Total Liabilities and Equity</b>	<b>190,177,006</b>	<b>180,473,145</b>
<b>Commitment and Contingencies</b>	<b>200,529,510</b>	<b>167,125,844</b>
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)	10.95	9.66

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

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/06/2014 RM '000	Last year quarter ended 30/06/2013 RM '000	Current year to date 30/06/2014 RM '000	Last year to date 30/06/2013 RM '000
<b>THE GROUP</b>				
Interest income	1,422,067	1,409,457	5,762,401	5,618,423
Interest expense	(790,138)	(921,210)	(3,287,992)	(3,264,357)
Net interest income	631,929	488,247	2,474,409	2,354,066
Net income from Islamic banking business	104,229	107,275	434,379	454,887
Non-interest income	424,454	448,672	1,654,497	1,569,618
Net income	1,160,612	1,044,194	4,563,285	4,378,571
Overhead expenses	(534,018)	(540,219)	(1,980,205)	(2,036,802)
Operating profit before allowances	626,594	503,975	2,583,080	2,341,769
Allowance for impairment losses on loans, advances and financing and other losses	(24,595)	(28,395)	(52,425)	(41,621)
Writeback of/(allowance for) impairment losses	744	(620)	39,639	4,275
	602,743	474,960	2,570,294	2,304,423
Share of results of associates	109,531	89,192	429,576	322,542
Share of results of joint ventures	3,337	1,268	9,353	3,074
Profit before taxation	715,611	565,420	3,009,223	2,630,039
Taxation	(55,893)	(11,679)	(491,867)	(465,265)
Net profit for the financial year	659,718	553,741	2,517,356	2,164,774
Attributable to:				
Owners of the parent	450,255	389,561	1,706,877	1,487,690
Non-controlling interests	209,463	164,180	810,479	677,084
Net profit for the financial year	659,718	553,741	2,517,356	2,164,774
Earnings per share - basic (sen)	43.0	37.4	162.9	142.7
Earnings per share - fully diluted (sen)	42.9	37.3	162.8	142.4

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

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/06/2014 RM '000	Last year quarter ended 30/06/2013 RM '000	Current year to date 30/06/2014 RM '000	Last year to date 30/06/2013 RM '000
<b>THE GROUP</b>				
Net profit for the financial year	659,718	553,741	2,517,356	2,164,774
Other comprehensive (loss)/income:				
<u>Items that may be reclassified subsequently to profit or loss:</u>				
Share of other comprehensive loss of associated companies	(3,140)	(650)	(3,162)	(672)
Net fair value changes on financial investments available-for-sale	132,905	31,451	64,036	93,060
Currency translation differences	(18,579)	12,165	10,784	4,879
Income tax relating to components of other comprehensive income	(33,226)	(7,861)	(16,009)	(25,816)
Total comprehensive income for the financial year, net of tax	<u>737,678</u>	<u>588,846</u>	<u>2,573,005</u>	<u>2,236,225</u>
Attributable to:				
Owners of the parent	527,866	433,901	1,754,067	1,558,886
Non-controlling interests	209,812	154,945	818,938	677,339
	<u>737,678</u>	<u>588,846</u>	<u>2,573,005</u>	<u>2,236,225</u>

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

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED COMPANY STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2014**

	<b>As at 30/06/2014 RM '000</b>	<b>As at 30/06/2013 RM '000</b>
<b>THE COMPANY</b>		
<b><u>Assets</u></b>		
Cash and short term funds	6,882	10,662
Deposits and placements with banks and other financial institutions	8,762	11,677
Derivative financial instruments	1,211	860
Other receivables	56,611	60,663
Tax recoverable	10,800	17,400
Deferred tax assets	3,550	4,977
Investment in subsidiary companies	14,986,980	15,105,348
Property and equipment	1,798	898
Intangible assets	172	11
<b>Total Assets</b>	<b>15,076,766</b>	<b>15,212,496</b>
<b><u>Liabilities</u></b>		
Derivative financial instruments	1,253	8,160
Payables and other liabilities	17,112	15,104
Borrowings	1,311,342	1,466,106
<b>Total Liabilities</b>	<b>1,329,707</b>	<b>1,489,370</b>
<b><u>Financed by:</u></b>		
Share capital	1,052,768	1,052,768
Capital reserves	376,858	388,900
Retained profits	12,332,614	12,318,619
Treasury shares for ESOS	(15,181)	(37,161)
<b>Total Equity</b>	<b>13,747,059</b>	<b>13,723,126</b>
<b>Total Liabilities and Equity</b>	<b>15,076,766</b>	<b>15,212,496</b>
<b>Commitment and Contingencies</b>	<b>785,308</b>	<b>967,360</b>

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

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED COMPANY STATEMENTS OF INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2014	quarter ended 30/06/2013	to date 30/06/2014	to date 30/06/2013
<b>THE COMPANY</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Interest income	884	1,086	3,345	3,804
Interest expense	(11,473)	(13,454)	(50,114)	(57,076)
Net interest expense	(10,589)	(12,368)	(46,769)	(53,272)
Non-interest income	6,974	(36)	531,723	507,729
Net (expense)/income	(3,615)	(12,404)	484,954	454,457
Overhead expenses	(11,006)	(10,346)	(33,983)	(27,436)
Writeback of impairment losses	-	-	-	1,056
(Loss)/profit before taxation	(14,621)	(22,750)	450,971	428,077
Taxation	1,500	22,085	(76,394)	(97,785)
Net (loss)/profit for the financial year	(13,121)	(665)	374,577	330,292
Earnings per share - basic (sen)	(1.2)	(0.1)	35.7	31.6
Earnings per share - fully diluted (sen)	(1.2)	(0.1)	35.7	31.5

**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2014	quarter ended 30/06/2013	to date 30/06/2014	to date 30/06/2013
<b>THE COMPANY</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Net (loss)/profit for the financial year	(13,121)	(665)	374,577	330,292
Other comprehensive income for the financial year	-	-	-	-
Total comprehensive (loss)/income for the financial year, net of tax	(13,121)	(665)	374,577	330,292

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



**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

	Share Capital RM '000	Share Premium RM '000	Other Capital Reserve RM '000	Share Options Reserve RM '000	Retained Profits RM '000	Treasury Shares for ESOS scheme RM '000	Total Equity RM '000
At 1 July 2013	1,052,768	117,229	254,991	16,680	12,318,619	(37,161)	13,723,126
Net profit for the financial year	-	-	-	-	374,577	-	374,577
Dividend paid	-	-	-	-	(398,347)	-	(398,347)
Option charge arising from ESOS	-	-	-	4,434	-	-	4,434
Exercise of ESOS	-	-	-	(16,476)	37,765	21,980	43,269
<b>AT 30 JUNE 2014</b>	<u>1,052,768</u>	<u>117,229</u>	<u>254,991</u>	<u>4,638</u>	<u>12,332,614</u>	<u>(15,181)</u>	<u>13,747,059</u>

	Share Capital RM '000	Share Premium RM '000	Other Capital Reserve RM '000	Share Options Reserve RM '000	Retained Profits RM '000	Treasury Shares for ESOS scheme RM '000	Total Equity RM '000
At 1 July 2012	1,052,768	117,229	254,991	12,078	12,362,017	(47,085)	13,751,998
Net profit for the financial year	-	-	-	-	330,292	-	330,292
Dividend paid	-	-	-	-	(376,003)	-	(376,003)
Option charge arising from ESOS	-	-	-	4,602	-	-	4,602
Purchase of treasury shares	-	-	-	-	-	(3,676)	(3,676)
Exercise of ESOS	-	-	-	-	2,313	13,600	15,913
<b>AT 30 JUNE 2013</b>	<u>1,052,768</u>	<u>117,229</u>	<u>254,991</u>	<u>16,680</u>	<u>12,318,619</u>	<u>(37,161)</u>	<u>13,723,126</u>

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

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOW**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

	The Group		The Company	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
	RM '000	RM '000	RM '000	RM '000
Profit before taxation	3,009,223	2,630,039	450,971	428,077
Adjustment for non-cash items	(39,268)	(99,453)	(470,447)	(441,440)
Operating profit before working capital changes	2,969,955	2,530,586	(19,476)	(13,363)
Income tax (paid)/refund	(646,077)	(570,177)	17,429	16,355
Interest received	3,345	3,804	3,345	3,804
Changes in working capital				
Net changes in operating assets	(1,869,678)	(3,181,994)	11,268	6,260
Net changes in operating liabilities	6,495,904	5,334,055	(4,900)	(7,151)
<b>Net cash flow generated from operating activities</b>	<b>6,953,449</b>	<b>4,116,274</b>	<b>7,666</b>	<b>5,905</b>
Cash flow from investing activities:				
Net purchases of financial investments available-for-sale	(4,571,741)	(6,756,049)	-	-
Net purchases of financial investments held-to-maturity	(5,033,660)	(442,792)	-	-
Interest received on financial investments available-for-sale and held-to-maturity	620,895	427,192	-	-
Purchase of intangibles assets	(88,478)	(28,356)	(185)	(3)
Purchase of property and equipment	(121,536)	(128,847)	(1,329)	(151)
Proceeds from disposal of property and equipment	11,016	2,751	342	5
Dividends received from other investments	271,284	238,352	640	1,025
Dividends received from subsidiaries	-	-	430,674	361,215
Dividends received from associated companies	56,086	74,373	-	-
Subscription of shares in joint venture	(1,628)	-	-	-
Acquisition of additional interest in subsidiary company	-	(9,477)	-	(9,477)
Subscription of redeemable preference shares	-	-	(1,660)	-
Proceeds from redemption of redeemable preference shares	-	-	120,028	145,717
<b>Net cash flow (used in)/generated from investing activities</b>	<b>(8,857,762)</b>	<b>(6,622,853)</b>	<b>548,510</b>	<b>498,331</b>
Cash flow from financing activities				
Dividends paid to equity holders of the Company	(398,347)	(376,003)	(398,347)	(376,003)
Dividends paid to non-controlling interests	(253,003)	(204,896)	-	-
Purchase of treasury shares	-	(3,676)	-	(3,676)
Cash received from ESOS exercised	53,757	23,076	43,269	15,913
Drawdown/(repayment) of revolving credit	65,000	(165,000)	65,000	-
(Redemption)/issuance of medium term notes and commercial paper	(40,000)	2,065,000	(40,000)	65,000
Proceeds from subordinated obligations	900,000	505,000	-	-
Repayment of term loans	(180,000)	(178,030)	(180,000)	(178,030)
Repayment of subordinated obligations	(410,000)	-	-	-
Interest paid on subordinated obligations	(217,439)	(186,883)	-	-
Interest paid on borrowings	(279,510)	(207,197)	(49,878)	(57,678)
Interest paid on non-innovative Tier 1 stapled securities	(71,245)	(72,021)	-	-
Interest paid on innovative Tier 1 capital securities	(26,749)	(23,629)	-	-
<b>Net cash flow (used in)/generated from financing activities</b>	<b>(857,536)</b>	<b>1,175,741</b>	<b>(559,956)</b>	<b>(534,474)</b>
<b>Changes in cash and cash equivalents</b>	<b>(2,761,849)</b>	<b>(1,330,838)</b>	<b>(3,780)</b>	<b>(30,238)</b>
<b>Effect of change in foreign exchange rate</b>	<b>48,629</b>	<b>7,379</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents as at 1 July</b>	<b>19,797,580</b>	<b>21,121,039</b>	<b>10,662</b>	<b>40,900</b>
<b>Cash and cash equivalents as at 30 June</b>	<b>17,084,360</b>	<b>19,797,580</b>	<b>6,882</b>	<b>10,662</b>

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



**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG” or “the Company”)  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

**1. Basis of preparation**

The unaudited condensed financial statements for the financial year ended 30 June 2014 have been prepared under the historical cost convention, except for the following assets and liabilities which are stated at fair values: financial assets held-for-trading, financial investments available-for-sale, derivative financial instruments and investment properties.

The unaudited condensed financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board (“MASB”) and paragraph 9.22 of Bursa Malaysia Securities Berhad’s Listing Requirements and should be read in conjunction with the audited annual financial statements for the Group and the Company for the financial year ended 30 June 2013. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Company since the financial year ended 30 June 2013.

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

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2013, except for the adoption of the following relevant accounting standards, amendments to published accounting standards and interpretations to existing accounting standards which are effective from 1 July 2013:

MFRS 10	"Consolidated Financial Statements"
MFRS 11	"Joint Arrangements"
MFRS 12	"Disclosures of Interests in Other Entities"
MFRS 13	"Fair Value Measurement"
The revised MFRS 127	"Separate Financial Statements"
The revised MFRS 128	"Investments in Associates and Joint Ventures"
Amendment to MFRS 7	"Financial Instruments: Disclosures"
Amendment to MFRS 10, MFRS 11 and MFRS 12	"Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition Guidance"
Annual improvements to MFRS 2009-2011 Cycle	

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

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

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

**3. Seasonality or cyclicity of operations**

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

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

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

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

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

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

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares in HLFM for the financial year ended 30 June 2014 other than as mentioned below.

### a) Purchase of shares pursuant to ESOS

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

- (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 established for the ESOS.

During the financial year ended 30 June 2014, a total of 4,344,000 ordinary shares of RM1 each were exercised pursuant to the Company's ESOS at the granted exercise price above per ordinary share.

The remaining number of shares held by the appointed trustee for the Company as at 30 June 2014 was 3,000,408 units at an average price of RM5.06 per share and the total consideration paid, including transaction costs was RM15,181,000.

The insurance subsidiary companies exercised a total of 537,900 ordinary shares of RM1 each pursuant to the Company's ESOS at the granted exercise price of RM8.09 during the financial year ended 30 June 2014.

The remaining number of shares held by the appointed trustee for the insurance subsidiary companies as at 30 June 2014 was 2,154,292 units at an average price of RM4.75 per share with total consideration paid, including transaction costs was RM10,241,000 which have been classified as treasury shares for ESOS at the Group level.

### b) Repayment of debt and equity securities

On 27 February 2014, Hong Leong Bank Berhad ("HLB"), a subsidiary of HLFM, had fully redeemed the first tranche of RM410.0 million nominal value of the 10 non-callable 5 years subordinated MTNs bearing coupon rate of 5.75% per annum, which were previously issued by Promino Sdn Bhd (formerly known as EON Bank Berhad) and vested to HLB on 1 July 2011.

### c) Issuance of Tier 2 Subordinated Sukuk Ijarah

On 17 June 2014, Hong Leong Islamic Bank Berhad ("HLISB"), a wholly owned subsidiary of HLB and also an indirect subsidiary of HLFM, had completed the first issuance of RM400 million nominal value of Tier 2 Subordinated Sukuk Ijarah (Subordinated Sukuk Ijarah) out of its RM1.0 billion Tier 2 Subordinated Sukuk Ijarah Programme. The RM400 million Subordinated Sukuk Ijarah will mature in 2024 and is callable at end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The Subordinated Sukuk Ijarah which bears profit of 4.80% per annum is payable semi-annually in arrears.

### d) Issuance of Tier 2 Subordinated Notes

On 23 June 2014, HLB had completed the first issuance of RM500 million nominal value of Tier 2 Subordinated Notes ("Sub-Notes") out of its RM10.0 billion Multi-Currency Sub-Notes Programme. The RM500 million Sub-Notes will mature in 2024 and is callable on any coupon payment date falling on or after the 5th anniversary of the issue date. The Sub-Notes which bears interest of 4.80% per annum is payable semi-annually in arrears. The exercise of the call option on the Sub-Notes shall be subject to the approval of BNM.

## 7. Dividends paid

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

Second interim single tier dividend of 25.0 sen per share amounting to RM262.4 million was paid on 26 June 2014.

## 8. Segmental reporting

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

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

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

### Business segments

The Group comprises the following main business segments:

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

## 8. Segmental reporting (continued)

The Group 30 June 2014	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>Revenue for the year ended</b>						
External sales	4,024,501	188,643	354,302	(4,161)	-	4,563,285
Intersegment sales	14,558	2,825	2,226	530,597	(550,206)	-
	<u>4,039,059</u>	<u>191,468</u>	<u>356,528</u>	<u>526,436</u>	<u>(550,206)</u>	<u>4,563,285</u>
<b>Results for the year ended</b>						
Segment results	2,234,596	78,875	286,230	492,174	(521,581)	2,570,294
Share of results of associates						429,576
Share of results of joint ventures						9,353
Profit before taxation						<u>3,009,223</u>
Taxation						(491,867)
Net profit for the financial year						<u>2,517,356</u>
Non-controlling interests						(810,479)
Profit attributable to owners of the parent						<u>1,706,877</u>
<b>Other information</b>						
Segment assets	170,350,803	4,228,211	15,267,310	15,353,645	(15,022,963)	<u>190,177,006</u>
Segment liabilities	155,820,625	3,625,805	12,758,646	1,420,695	(453,496)	<u>173,172,275</u>

## 8. Segmental reporting (continued)

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

## 9. Financial assets held-for-trading

	The Group	
	As at 30/06/2014 RM '000	As at 30/06/2013 RM '000
Money market instruments:		
Government Treasury Bills	197,064	352,727
Malaysian Government Securities	33,224	725,325
Negotiable instruments of deposit	9,274,432	4,629,118
Bankers' acceptances and Islamic accepted bills	576,717	3,456,639
Bank Negara Malaysia bills	848,000	4,961,614
Malaysian Government Investment Certificates	528,352	692,661
Cagamas bonds	65,787	21,586
Khazanah bonds	37,439	-
Other government securities	2,567	-
	11,563,582	14,839,670
Quoted securities:		
Shares in Malaysia	553,550	462,830
Shares outside Malaysia	187,200	260,463
Foreign currency bonds	243,175	229,077
Unit trust investments	89,452	44,496
Warrants quoted in Malaysia	1,012	29
	1,074,389	996,895
Unquoted securities:		
Foreign currency bonds	134,366	17,813
Private and Islamic debts securities	484,165	949,942
	618,531	967,755
Total financial assets held-for-trading	13,256,502	16,804,320

## 10. Financial investments available-for-sale

	The Group	
	As at 30/06/2014 RM '000	As at 30/06/2013 RM '000
Money market instruments:		
Government Treasury Bills	546,703	371,911
Malaysian Government Securities	1,645,275	476,040
Malaysian Government Investment Certificates	2,677,845	3,164,237
Negotiable instruments of deposit	103,384	142,045
Khazanah bonds	208,615	-
Cagamas bonds	965,610	769,836
Other government securities	1,442,202	587,898
	<u>7,589,634</u>	<u>5,511,967</u>
Quoted securities:		
Shares in Malaysia	1,319,110	806,261
Shares outside Malaysia	230,387	218,458
Foreign currency bonds in Malaysia	3,224,143	3,396,120
Foreign currency bonds outside Malaysia	727,868	940,332
Warrants in Malaysia	1,062	93
Loan stocks in Malaysia	23	223
Unit trust investments	4,658,678	4,414,545
	<u>10,161,271</u>	<u>9,776,032</u>
Unquoted securities :		
Shares in Malaysia	366,202	329,346
Shares outside Malaysia	3,506	3,450
Foreign currency bonds in Malaysia	143,242	-
Foreign currency bonds outside Malaysia	394,078	315,920
Investment-linked funds	300	300
Private debt securities	8,448,553	6,374,693
	<u>9,355,881</u>	<u>7,023,709</u>
Total financial investments available-for-sale	<u>27,106,786</u>	<u>22,311,708</u>

## 11. Financial investments held-to-maturity

	The Group	
	As at 30/06/2014 RM '000	As at 30/06/2013 RM '000
Money market instruments:		
Malaysian Government Securities	3,120,731	1,616,218
Malaysian Government Investment Certificates	5,399,565	2,309,047
Negotiable instruments of deposit	55,217	5,833
Cagamas bonds	96,455	86,879
Other Government securities	253,646	2,541
	<u>8,925,614</u>	<u>4,020,518</u>
Unquoted securities :		
Loan stocks	49	120
Private and Islamic debt securities	678,317	550,634
Foreign currency bonds outside Malaysia	194,666	192,912
Unquoted bonds	486	486
Investment in preference shares	52,000	52,000
	<u>925,518</u>	<u>796,152</u>
Total financial investments held-to-maturity	<u>9,851,132</u>	<u>4,816,670</u>

## 12. Loans, advances and financing

	The Group	
	As at 30/06/2014 RM '000	As at 30/06/2013 RM '000
Overdrafts	4,104,535	4,346,203
Term loans :		
- Housing and shop loans/financing	46,563,762	41,135,376
- Syndicated term loan/financing	7,939,722	6,333,829
- Hire purchase receivables	17,405,481	17,408,072
- Other term loans/financing	8,684,556	9,829,885
Credit/charge card receivables	4,192,192	4,088,083
Bills receivables	1,116,670	1,292,482
Trust receipts	296,587	302,199
Claims on customers under acceptance credits	8,118,324	7,362,332
Block discounting	253	6,030
Revolving credits	5,545,623	4,890,538
Policy and premium loans	654,958	669,807
Staff loans	172,011	195,320
Other loans/financing	461,848	193,782
Gross loans, advances and financing	105,256,522	98,053,938
Fair value changes arising from fair value hedges	-	(7,450)
Unamortised fair value changes arising from terminated fair value hedges	(1,516)	15,035
Allowance for impaired loans, advances and financing:		
- collective assessment allowance	(1,077,911)	(1,260,301)
- individual assessment allowance	(511,647)	(526,270)
Total net loans, advances and financing	103,665,448	96,274,952

### (a) By type of customer

	The Group	
	As at 30/06/2014 RM '000	As at 30/06/2013 RM '000
Domestic non-bank financial institutions	278,231	293,310
Domestic business enterprises		
- small and medium enterprises	16,368,945	14,543,322
- others	19,298,810	19,613,129
Government and statutory bodies	28,345	23,538
Individuals	64,825,999	59,471,203
Other domestic entities	158,579	231,638
Foreign entities	4,297,613	3,877,798
Gross loans, advances and financing	105,256,522	98,053,938

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

	The Group	
	As at 30/06/2014 RM '000	As at 30/06/2013 RM '000
Fixed rate		
- Housing and shop loans/financing	2,838,669	3,124,510
- Hire purchase receivables/financing	16,949,593	17,035,642
- Other fixed rate loan/financing	7,559,790	8,491,086
Variable rate		
- Base lending rate plus	62,275,657	56,615,136
- Cost plus	15,320,089	12,705,033
- Other variables rates	312,724	82,531
Gross loans, advances and financing	105,256,522	98,053,938



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

### (c) By economic purpose

	The Group	
	As at 30/06/2014 RM '000	As at 30/06/2013 RM '000
Purchase of securities	1,054,079	1,120,307
Purchase of transport vehicles	17,292,903	17,345,812
Purchase of landed properties		
- residential	39,001,679	34,218,619
- non-residential	12,370,123	10,858,636
Purchase of fixed assets (excluding landed properties)	530,827	555,874
Personal use	3,370,683	3,502,241
Credit card	4,192,192	4,088,083
Purchase of consumer durables	445	472
Construction	1,163,043	1,163,851
Mergers and acquisition	303,096	447,926
Working capital	22,713,594	21,803,772
Others	3,263,858	2,948,345
Gross loans, advances and financing	<u>105,256,522</u>	<u>98,053,938</u>

### (d) By geographical distribution

	The Group	
	As at 30/06/2014 RM '000	As at 30/06/2013 RM '000
Malaysia	102,176,684	95,329,667
Singapore	2,675,129	2,480,476
Hong Kong	4,816	-
Vietnam	312,724	243,795
Cambodia	87,169	-
Gross loans, advances and financing	<u>105,256,522</u>	<u>98,053,938</u>

### (e) By residual contractual maturity

	The Group	
	As at 30/06/2014 RM '000	As at 30/06/2013 RM '000
Within one year	27,881,173	27,661,559
One year to less than three years	8,208,065	7,418,571
Three years to less than five years	9,726,789	9,087,744
Five years and more	59,440,495	53,886,064
Gross loans, advances and financing	<u>105,256,522</u>	<u>98,053,938</u>

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

### (f) Impaired loans, advances and financing by economic purpose

	The Group	
	As at 30/06/2014 RM '000	As at 30/06/2013 RM '000
Purchase of securities	758	6,895
Purchase of transport vehicles	225,812	220,262
Purchase of landed properties		
- residential	214,321	246,866
- non-residential	47,737	59,554
Purchase of fixed assets (excluding landed properties)	37,484	14,576
Personal use	34,940	72,209
Credit card	53,058	60,675
Purchase of consumer durables	4	4
Construction	4,379	9,266
Working capital	572,014	635,311
Others	42,081	34,948
	<u>1,232,588</u>	<u>1,360,566</u>

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

	The Group	
	As at 30/06/2014 RM '000	As at 30/06/2013 RM '000
Malaysia	1,219,374	1,330,767
Singapore	-	29,438
Vietnam	13,214	361
	<u>1,232,588</u>	<u>1,360,566</u>

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

	The Group	
	As at 30/06/2014 RM '000	As at 30/06/2013 RM '000
As at beginning of the financial year	1,360,566	1,533,270
Impaired during the financial year	1,705,583	1,852,876
Performing during the financial year	(897,336)	(966,418)
Amount written back in respect of recoveries	(507,495)	(503,594)
Amount written off	(431,273)	(555,307)
Exchange differences	2,543	(261)
As at end of the financial year	<u>1,232,588</u>	<u>1,360,566</u>
Gross impaired loan as a % of gross loans, advances and financing	<u>1.2%</u>	<u>1.4%</u>

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

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

	The Group	
	As at 30/06/2014 RM '000	As at 30/06/2013 RM '000
<u>Collective Assessment Allowance</u>		
As at beginning of the financial year	1,260,301	1,502,452
Net allowance made during the year	255,275	183,785
Amount written off	(367,890)	(402,347)
Amount transfer to individual assessment allowance	(1,915)	(4,800)
Unwinding income	(68,545)	(18,751)
Exchange differences	685	(38)
As at end of the financial year	<u>1,077,911</u>	<u>1,260,301</u>
As % of gross loans, advances and financing less loans exempted from individual assessment allowance	<u>1.0%</u>	<u>1.3%</u>
<u>Individual Assessment Allowance</u>		
As at beginning of the financial year	526,270	543,234
Net allowance made during the year	140,025	190,973
Amount transfer from collective assessment allowance	1,915	4,800
Amount transfer to allowance for impairment losses on securities	-	(14,211)
Amount written back in respect of recoveries	(108,868)	(90,853)
Amount written off	(41,618)	(95,906)
Unwinding income	(7,112)	(11,524)
Exchange differences	1,035	(243)
As at end of the financial year	<u>511,647</u>	<u>526,270</u>

## 13. Other receivables

	The Group	
	As at 30/06/2014 RM '000	As at 30/06/2013 RM '000
Investment properties	1,760	1,680
Foreclosed properties	1,112	1,112
Sundry debtors and other prepayments	132,150	159,995
Treasury related receivable	242,573	255,608
Other receivables	317,685	586,854
	<u>695,280</u>	<u>1,005,249</u>
<u>The Company</u>		
	As at 30/06/2014 RM '000	As at 30/06/2013 RM '000
Amount due from subsidiary companies	54,535	57,656
Sundry debtors and other prepayments	932	883
Other receivables	1,144	2,124
	<u>56,611</u>	<u>60,663</u>

#### 14. Deposits from customers

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

	The Group	
	As at 30/06/2014 RM '000	As at 30/06/2013 RM '000
Fixed deposits	74,243,402	73,878,772
Negotiable instruments of deposit	11,598,134	8,147,193
	<u>85,841,536</u>	<u>82,025,965</u>
Demand deposits	18,913,794	17,514,256
Savings deposits	15,020,628	14,439,487
Short term corporate placement	10,556,968	9,659,336
Others	381,524	319,661
Gross deposits from customers	<u>130,714,450</u>	<u>123,958,705</u>
Fair value changes arising from adoption of fair value option*	(82,164)	-
Total net deposits from customers	<u><u>130,632,286</u></u>	<u><u>123,958,705</u></u>

\*Note:

During the financial year, the Group has issued structured deposits (Callable Range Accrual Notes) and designated them at fair value through profit or loss. This designation is permitted under MFRS 139 "Financial Instruments: Recognition and Measurement" as it significantly reduces accounting mismatch. These instruments are managed by the Group on the basis of its fair value and includes terms that have substantive derivative characteristic. The structured deposits are recorded at fair value.

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

	The Group	
	As at 30/06/2014 RM '000	As at 30/06/2013 RM '000
Government and statutory bodies	2,299,321	3,916,254
Business enterprises	56,739,253	49,727,955
Individuals	66,662,907	66,104,854
Others	5,012,969	4,209,642
Gross deposits from customers	<u>130,714,450</u>	<u>123,958,705</u>

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

	The Group	
	As at 30/06/2014 RM '000	As at 30/06/2013 RM '000
Due within six months	65,302,503	58,101,048
More than six months to one year	16,537,616	19,875,082
More than one year to five years	3,501,417	3,939,835
More than five years	500,000	110,000
	<u>85,841,536</u>	<u>82,025,965</u>

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

	<b>The Group</b>	
	<b>As at 30/06/2014 RM '000</b>	<b>As at 30/06/2013 RM '000</b>
Licensed banks and investment banks	6,153,972	10,643,728
Licensed Islamic banks	901,261	930,887
Other financial institutions	2,111,022	1,535,508
	<u>9,166,255</u>	<u>13,110,123</u>
The maturity structure of deposits and placements of banks and other financial institutions:		
One year or less (short term)	<u>9,166,255</u>	<u>13,110,123</u>

## 16. Payables and other liabilities

	<b>The Group</b>	
	<b>As at 30/06/2014 RM '000</b>	<b>As at 30/06/2013 RM '000</b>
Trade payables	1,325,059	1,040,074
Amount due to Cagamas Berhad	84,160	172,115
Loan advance payment	1,882,838	1,603,098
Post employment benefits obligations - defined contribution plan	4,236	4,159
Treasury clearing	1,191,406	113,385
Cheque clearing	27,650	74,199
Treasury related payables	56,425	21,416
Sundry creditors and accruals	563,278	563,290
Provision for bonus and staff related expenses	186,621	208,497
Advance payments received for corporate exercise	416,545	-
Others	531,101	773,908
	<u>6,269,319</u>	<u>4,574,141</u>
<b>The Company</b>		
	<b>As at 30/06/2014 RM '000</b>	<b>As at 30/06/2013 RM '000</b>
Amount due to subsidiary companies	24	1,859
Sundry creditors and accruals	3,620	1,643
Provision for bonus and staff related expenses	13,428	11,564
Post employment benefits obligations - defined contribution plan	40	38
	<u>17,112</u>	<u>15,104</u>

## 17. Interest income

	The Group		The Group	
	Current quarter ended 30/06/2014 RM '000	Last year quarter ended 30/06/2013 RM '000	Current year to date 30/06/2014 RM '000	Last year to date 30/06/2013 RM '000
Loans, advances and financing	1,045,547	1,001,744	4,142,097	4,018,641
Money at call and deposit placements with financial institutions	86,655	138,457	457,614	399,743
Securities purchased under resale agreements	(10,729)	8,051	18,404	28,019
Financial assets held-for-trading	129,923	156,394	519,108	741,624
Financial investments available-for-sale	103,349	85,191	424,641	322,668
Financial investments held-to-maturity	65,581	18,765	196,254	104,525
Others	1,741	855	4,283	3,203
	<u>1,422,067</u>	<u>1,409,457</u>	<u>5,762,401</u>	<u>5,618,423</u>
Of which:				
Interest income earned on impaired loans, advances and financing	17,703	6,304	65,356	26,958

	The Company		The Company	
	Current quarter ended 30/06/2014 RM '000	Last year quarter ended 30/06/2013 RM '000	Current year to date 30/06/2014 RM '000	Last year to date 30/06/2013 RM '000
Money at call and deposit placements with financial institutions	395	294	1,053	947
Others	489	792	2,292	2,857
	<u>884</u>	<u>1,086</u>	<u>3,345</u>	<u>3,804</u>

## 18. Interest expense

	The Group		The Group	
	Current quarter ended 30/06/2014 RM '000	Last year quarter ended 30/06/2013 RM '000	Current year to date 30/06/2014 RM '000	Last year to date 30/06/2013 RM '000
Deposits and placements of banks and other financial institutions	(15,971)	28,306	79,546	108,428
Deposits from customers	617,604	578,983	2,412,772	2,288,732
Short term corporate placements	42,635	66,791	190,579	304,756
Borrowings	68,718	166,468	280,008	266,516
Subordinated bonds	49,297	53,455	211,462	194,731
Non-innovative Tier 1 stapled securities	17,524	17,963	71,439	72,215
Innovative Tier 1 capital securities	6,892	6,190	26,862	23,742
Others	3,439	3,054	15,324	5,237
	<u>790,138</u>	<u>921,210</u>	<u>3,287,992</u>	<u>3,264,357</u>
	The Company		The Company	
	Current quarter ended 30/06/2014 RM '000	Last year quarter ended 30/06/2013 RM '000	Current year to date 30/06/2014 RM '000	Last year to date 30/06/2013 RM '000
Borrowings	11,463	13,238	49,768	55,790
Others	10	216	346	1,286
	<u>11,473</u>	<u>13,454</u>	<u>50,114</u>	<u>57,076</u>

## 19. Non-Interest Income

	The Group		The Group	
	Current quarter ended 30/06/2014 RM '000	Last year quarter ended 30/06/2013 RM '000	Current year to date 30/06/2014 RM '000	Last year to date 30/06/2013 RM '000
Net income from insurance business	61,521	50,784	308,223	150,954
Net brokerage and commissions from stockbroking business	17,888	15,046	60,576	43,511
Net unit trust and asset management income	5,071	4,385	19,437	18,613
Fee income:				
Commissions	34,383	34,317	138,801	134,001
Service charges and fees	12,895	13,202	51,012	46,824
Guarantee fees	4,228	4,073	24,132	22,575
Credit card related fees	57,882	69,854	240,267	270,152
Corporate advisory fees	3,103	3,861	8,712	10,326
Commitment fees	9,004	8,905	36,562	34,539
Fee on loans, advances and financing	13,453	15,000	65,960	66,359
Placement fees	23,446	9,188	24,521	30,861
Arranger fees	3,736	314	15,295	11,667
Other fee income	8,867	8,543	44,085	23,058
	170,997	167,257	649,347	650,362
Gain/(loss) arising from sale of financial assets:				
Net gain from sale of financial assets held-for-trading	8,039	12,813	18,852	47,978
Net gain/(loss) from sale of financial investments available-for-sale	44,107	(86)	101,177	116,716
Net gain from redemption of financial investments held-to-maturity	177	1	802	8,437
Net gain/(loss) from sale of derivatives financial instruments	12,739	(11,573)	45,090	19,764
	65,062	1,155	165,921	192,895
Gross dividend income from:				
Financial assets held-for-trading	7,784	1,421	18,928	23,486
Financial investments available-for-sale	66,142	162,763	252,356	214,866
	73,926	164,184	271,284	238,352
Net unrealised gain/(loss) on revaluation of:				
Financial assets held-for-trading	5,994	(24,925)	22,528	21,742
Derivatives financial instruments	(2,684)	47,303	10,563	88,703
	3,310	22,378	33,091	110,445
Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges	(1,657)	(3,924)	(8,334)	(26,614)
Net unrealised gain on fair value changes arising from fair value hedges	-	329	-	10,917
Other income:				
Foreign exchange gain	14,125	22,645	123,432	157,924
Rental income	1,454	1,251	5,997	5,459
Gain on disposal of property and equipment (net)	5,680	17	6,305	924
Others	7,077	3,165	19,218	15,876
	28,336	27,078	154,952	180,183
Total non-interest income	424,454	448,672	1,654,497	1,569,618

## 19. Non-Interest Income (continued)

	The Company		The Company	
	Current quarter ended 30/06/2014 RM '000	Last year quarter ended 30/06/2013 RM '000	Current year to date 30/06/2014 RM '000	Last year to date 30/06/2013 RM '000
Fee income:				
Management fees	2,508	2,121	9,225	8,379
(Loss)/gain arising from sale of financial assets:				
Net loss from sale of financial assets held-for-trading	(20)	(112)	(20)	(120)
Net gain/(loss) from sale of derivatives financial instruments	3,448	(2,468)	(2,586)	7,927
Gross dividend income from:				
Financial assets held-for-trading	348	490	640	1,025
Subsidiary companies	-	1,169	516,469	481,620
Net unrealised (loss)/gain on revaluation of:				
Financial assets held-for-trading	-	(77)	-	-
Derivatives financial instruments	594	2,639	7,258	8,605
Other income	96	(3,798)	737	293
Total non-interest income	6,974	(36)	531,723	507,729

## 20. Overhead expenses

	The Group		The Group	
	Current quarter ended 30/06/2014 RM '000	Last year quarter ended 30/06/2013 RM '000	Current year to date 30/06/2014 RM '000	Last year to date 30/06/2013 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	243,180	244,864	977,812	978,118
- Medical expenses	7,405	8,214	24,229	24,673
- Training and convention expenses	12,465	13,297	29,972	31,653
- Staff welfare	2,188	4,091	12,528	14,820
- Others	9,574	4,693	32,962	30,993
	274,812	275,159	1,077,503	1,080,257
<u>Establishment costs</u>				
- Depreciation of property and equipments	29,562	28,336	115,492	110,724
- Amortisation of intangible assets	26,606	24,354	99,562	100,483
- Rental	21,535	21,854	82,773	87,167
- Information technology expenses	32,303	41,726	119,520	122,466
- Security services	7,451	10,825	31,344	31,384
- Electricity, water and sewerage	7,521	5,765	25,676	28,096
- Hire of plant and machinery	3,229	4,181	13,689	13,925
- Others	6,921	10,682	30,681	33,482
	135,128	147,723	518,737	527,727
<u>Marketing expenses</u>				
- Advertisement and publicity	19,499	18,869	40,859	52,282
- Credit card related fees	25,923	16,132	97,263	61,794
- Commission	3,997	3,392	14,122	15,101
- Others	5,401	4,652	21,383	17,246
	54,820	43,045	173,627	146,423
<u>Administration and general expenses</u>				
- Teletransmission expenses	4,550	5,581	14,417	17,672
- Stationery & printing	6,652	5,660	19,428	19,200
- Professional fees	25,162	22,766	80,685	95,700
- Insurance fees	9,845	8,110	30,457	22,177
- Travelling and transport expenses	1,816	1,710	6,840	7,534
- Registration and license fees	1,260	1,543	5,518	5,849
- Brokerage and commission	1,547	1,693	6,124	5,080
- Stamp, postage and courier	7,527	6,710	23,316	24,698
- Others	10,899	20,519	23,553	84,485
	69,258	74,292	210,338	282,395
	534,018	540,219	1,980,205	2,036,802



## 20. Overhead expenses (continued)

	The Company		The Company	
	Current quarter ended 30/06/2014 RM '000	Last year quarter ended 30/06/2013 RM '000	Current year to date 30/06/2014 RM '000	Last year to date 30/06/2013 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	5,754	4,384	22,027	17,515
- Medical expenses	37	28	139	99
- Training and convention expenses	2	9	35	15
- Staff welfare	94	57	295	202
- Others	996	4,708	4,519	4,826
	<u>6,883</u>	<u>9,186</u>	<u>27,015</u>	<u>22,657</u>
<u>Establishment costs</u>				
- Depreciation of property and equipments	71	74	278	341
- Amortisation of intangible assets	17	1	22	7
- Rental	206	237	836	829
- Electricity, water and sewerage	14	13	52	37
- Hire of plant and machinery	5	8	25	30
- Others	55	80	174	155
	<u>368</u>	<u>413</u>	<u>1,387</u>	<u>1,399</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	7	13	25	38
- Stationery & printing	6	12	47	45
- Professional fees	2,042	175	2,790	1,562
- Management fees	981	130	1,368	516
- Travelling and transport expenses	110	80	353	261
- Others	609	337	998	958
	<u>3,755</u>	<u>747</u>	<u>5,581</u>	<u>3,380</u>
	<u>11,006</u>	<u>10,346</u>	<u>33,983</u>	<u>27,436</u>

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

	The Group		The Group	
	Current quarter ended 30/06/2014 RM '000	Last year quarter ended 30/06/2013 RM '000	Current year to date 30/06/2014 RM '000	Last year to date 30/06/2013 RM '000
Allowance for/(writeback of) impairment losses on loans, advances and financing:				
- Individual assessment allowance	14,866	121,537	31,157	100,120
- Collective assessment allowance	67,076	(38,951)	255,275	183,785
Allowance for/(writeback of) impairment losses on clients' and brokers' balances:				
- Individual assessment allowance	24	(101)	(8)	(288)
- Collective assessment allowance	(14)	22	(18)	(111)
Allowance for/(writeback of) impairment losses on other assets				
- Individual assessment allowance	85	(108)	(68)	345
Impaired loans and financing:				
- written off	3,338	6,829	20,025	21,523
- recovered	(60,780)	(60,833)	(253,938)	(263,753)
	<u>24,595</u>	<u>28,395</u>	<u>52,425</u>	<u>41,621</u>

## 22. Capital adequacy

The banking subsidiaries' regulatory capital is governed by BNM Capital Adequacy Framework guidelines. With effect from 1 January 2013, the capital adequacy ratios of the banking subsidiaries are computed in accordance with BNM's Capital Adequacy Framework issued on 28 November 2012. The Framework sets out the approach for computing the regulatory capital adequacy ratios, as well as the levels of the ratios at which banking institutions are required to operate. The Framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. In line with the transitional arrangements under the BNM's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for common equity Tier I (CET I) capital ratio and Tier I capital ratio are 4.00% and 5.50% respectively, for year 2014. The minimum regulatory capital adequacy requirement remains at 8.00% (2013: 8.00%) for total capital ratio.

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

### Basel III

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013	30/06/2014	30/06/2013
<b>Before deducting proposed dividends</b>						
CET I capital ratio	10.903%	10.627%	10.172%	10.156%	20.108%	33.077%
Tier I capital ratio	12.306%	12.319%	11.777%	12.062%	20.108%	33.077%
Total capital ratio	15.072%	15.179%	14.657%	13.592%	20.259%	33.172%
<b>After deducting proposed dividends</b>						
CET I capital ratio	10.480%	10.236%	9.689%	9.715%	16.401%	29.982%
Tier I capital ratio	11.883%	11.927%	11.294%	11.621%	16.401%	29.982%
Total capital ratio	14.649%	14.787%	14.173%	13.150%	16.552%	30.076%

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013	30/06/2014	30/06/2013
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>CET I capital</b>						
Paid up share capital	1,879,909	1,879,909	1,879,909	1,879,909	165,000	165,000
Share premium	2,832,383	2,832,383	2,832,383	2,832,383	87,950	87,950
Retained profit	7,189,104	6,197,372	5,375,070	4,835,280	38,903	(15,241)
Other Reserves	3,171,817	2,699,050	2,773,797	2,360,778	179,789	154,051
Less: Treasury Shares	(645,579)	(661,809)	(645,579)	(661,809)	-	-
Less: Other intangible assets	(347,791)	(369,415)	(335,319)	(362,855)	-	-
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(29,978)	(30,040)
Less: Deferred Tax assets	-	-	-	-	(103,671)	(61,978)
Less: Investment in subsidiary company/ associated company/joint venture	(430,676)	-	(475,075)	-	-	-
Less: Other regulatory adjustments	-	-	-	-	(77)	(525)
Total CET I capital	11,817,855	10,746,178	9,633,639	9,112,139	337,916	299,217
<b>Additional Tier I capital</b>						
Non-innovative Tier I stapled securities	1,120,000	1,260,000	1,120,000	1,260,000	-	-
Innovative Tier I capital securities	400,000	450,000	400,000	450,000	-	-
Total additional Tier I capital	1,520,000	1,710,000	1,520,000	1,710,000	-	-
<b>Total Tier I capital</b>	<b>13,337,855</b>	<b>12,456,178</b>	<b>11,153,639</b>	<b>10,822,139</b>	<b>337,916</b>	<b>299,217</b>

## 22. Capital adequacy (continued)

### Basel III

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/06/2014 RM '000	30/06/2013 RM '000	30/06/2014 RM '000	30/06/2013 RM '000	30/06/2014 RM '000	30/06/2013 RM '000
<b>Tier II Capital</b>						
Redeemable preference shares	-	-	-	-	1,631	1,631
Collective assessment allowance ^	732,980	800,960	639,439	666,131	1,204	678
Subordinated obligations	3,988,000	3,924,000	3,988,000	3,924,000	-	-
Tier II capital before regulatory adjustments	4,720,980	4,724,960	4,627,439	4,590,131	2,835	2,309
Less: Regulatory adjustments						
Investment in subsidiary companies	-	-	(1,081,727)	(2,194,913)	(306)	(1,455)
Investment in associated company	(1,650,640)	(1,752,949)	(757,204)	(946,505)	-	-
Investment in jointly venture	(72,064)	(79,945)	(61,369)	(76,711)	-	-
<b>Total Tier II capital</b>	<b>2,998,276</b>	<b>2,892,066</b>	<b>2,727,139</b>	<b>1,372,002</b>	<b>2,529</b>	<b>854</b>
<b>Total capital</b>	<b>16,336,131</b>	<b>15,348,244</b>	<b>13,880,778</b>	<b>12,194,141</b>	<b>340,445</b>	<b>300,071</b>

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

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	30/06/2014 RM '000	30/06/2013 RM '000	30/06/2014 RM '000	30/06/2013 RM '000	30/06/2014 RM '000	30/06/2013 RM '000
Credit risk	96,729,672	91,059,541	84,227,557	80,746,066	896,087	464,961
Market risk	4,126,372	3,429,463	3,912,418	3,322,591	571,557	321,448
Operational risk	7,532,731	6,628,544	6,563,115	5,649,356	212,853	118,189
Total RWA	108,388,775	101,117,548	94,703,090	89,718,013	1,680,497	904,598

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

	Hong Leong Islamic Bank	
	30/06/2014	30/06/2013
<b>Before deducting proposed dividends</b>		
CET I capital ratio	11.829%	11.070%
Tier I capital ratio	11.829%	11.070%
Total capital ratio	15.587%	14.153%
<b>After deducting proposed dividends</b>		
CET I capital ratio	11.392%	10.720%
Tier I capital ratio	11.392%	10.720%
Total capital ratio	15.150%	13.804%

### 23. Events after Balance Sheet date

There are no material events subsequent to the end of the financial year ended 30 June 2014.

### 24. Changes in composition of the Group

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

- (a) On 4 July 2013, Hong Leong Bank Berhad ("HLB"), a subsidiary of HLF, announced that Hong Leong Bank (Cambodia) PLC ("HLBCAM"), a wholly-owned subsidiary of HLB, had been granted the license to carry out banking operations in the Kingdom of Cambodia by the National Bank of Cambodia. HLBCAM commenced operations on 8 July 2013.
- (b) HLAH Assets Sdn Bhd, a wholly-owned subsidiary of HLA Holdings Sdn Bhd which in turn a wholly-owned subsidiary of HLF, was dissolved on 31 August 2013.
- (c) Following the completion of the disposal of Promilia Berhad ("Promilia") by Hong Leong Capital Berhad ("HLCB"), a subsidiary of HLF, to HLB on 11 October 2013, Promilia had, on the even day, ceased to be a wholly-owned subsidiary of HLCB and became a wholly-owned subsidiary of HLB.
- (d) On 27 November 2013, HLB announced that the China Banking Regulatory Commission had granted approval for HLB to establish a representative office in Nanjing, Jiangsu Province, People's Republic of China. The representative office is known as Hong Leong Bank Berhad Nanjing Representative Office and had commenced operations effective 27 November 2013.
- (e) CFB Asa Berhad and OFB Berhad, both wholly-owned subsidiaries of HLB, were dissolved on 28 November 2013 and 19 May 2014 respectively.
- (f) SSSB Nominees (Tempatan) Sdn Bhd and SSSB Nominees (Asing) Sdn Bhd, both wholly-owned subsidiaries of SSSB Jaya (1987) Sdn Bhd which in turn a wholly-owned subsidiary of Hong Leong Investment Bank Berhad ("HLIB"), were dissolved on 12 December 2013.
- (g) HLG Asset Management Sdn Bhd, a wholly-owned subsidiary of HLCB, was dissolved on 30 January 2014.
- (h) HLIB placed the following wholly-owned subsidiaries under member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965 on the dates as set out below:
  - (i) HLG Nominee (Tempatan) Sdn Bhd and HLG Nominee (Asing) Sdn Bhd on 23 April 2014; and
  - (ii) ECS Jaya (1969) Sdn Bhd on 12 June 2014.
- (i) The following wholly-owned subsidiaries of HLIB were dissolved on the dates as set out below:
  - (i) MIMB Nominees (Tempatan) Sendirian Berhad and MIMB Nominees (Asing) Sendirian Berhad were dissolved on 19 May 2014; and
  - (ii) RC Nominees (Tempatan) Sdn Bhd was dissolved on 1 July 2014.

## 25. Commitments and contingencies

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

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

	<b>The Group</b>	
	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	376,792	333,012
Certain transaction related contingent items	1,706,130	1,629,933
Short-term self liquidating		
trade related contingencies	765,904	891,468
Forward asset purchases	37,432	-
Underwriting obligation	299,154	65,000
Irrevocable commitments to extend credit:		
-maturity more than 1 year	17,251,829	14,108,639
-maturity less than 1 year	15,821,707	17,331,901
Any commitments that are unconditionally cancellable at any time by the Group without prior notice	627,233	507,022
Foreign exchange related contracts		
- less than one year	43,902,047	41,066,842
- one year to less than five years	4,369,268	3,649,055
- five years and above	598,871	603,465
Interest rate related contracts		
- less than one year	45,759,521	17,857,027
- one year to less than five years	51,939,223	45,275,873
- five years and above	8,501,058	14,773,860
Equity related contracts		
- less than one year	207,936	54,168
- one year to less than five years	105,810	10,000
Unutilised credit card lines	7,610,596	8,331,904
Others	648,999	636,675
<b>Total</b>	<b>200,529,510</b>	<b>167,125,844</b>

	<b>The Company</b>	
	<b>Principal Amount</b>	<b>Principal Amount</b>
	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Forward foreign exchange	110,308	167,360
Interest rate swaps	675,000	800,000
	<b>785,308</b>	<b>967,360</b>

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

The size of each of the five funds was above the minimum of RM1 million as at 30 June 2014.

## 26. Related party transactions

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

## 27. Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the statements of financial position date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

### Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

### **The Group**

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>30 June 2014</b>				
<b><u>Recurring fair value measurements</u></b>				
<b><u>Financial assets</u></b>				
Financial assets held-for-trading				
- Money market instruments	-	11,563,582	-	11,563,582
- Quoted securities	1,074,389	-	-	1,074,389
- Unquoted securities	-	618,531	-	618,531
Financial investments available-for-sale				
- Money market instruments	-	7,589,634	-	7,589,634
- Quoted securities	10,161,271	-	-	10,161,271
- Unquoted securities	-	8,986,173	369,708	9,355,881
Derivative financial instruments	1,417	711,566	-	712,983
	<u>11,237,077</u>	<u>29,469,486</u>	<u>369,708</u>	<u>41,076,271</u>
<b><u>Financial liabilities</u></b>				
Derivative financial instruments	13,745	807,595	-	821,340
	<u>13,745</u>	<u>807,595</u>	<u>-</u>	<u>821,340</u>

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

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

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

#### The Group

30 June 2013	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Financial assets held-for-trading				
- Money market instruments	-	14,839,670	-	14,839,670
- Quoted securities	996,895	-	-	996,895
- Unquoted securities	-	967,755	-	967,755
Financial investments available-for-sale				
- Money market instruments	-	5,511,967	-	5,511,967
- Quoted securities	9,776,032	-	-	9,776,032
- Unquoted securities	-	6,690,913	332,796	7,023,709
Derivative financial instruments	1,536	904,947	-	906,483
	<u>10,774,463</u>	<u>28,915,252</u>	<u>332,796</u>	<u>40,022,511</u>
<b>Financial liabilities</b>				
Derivative financial instruments	3,790	1,005,631	-	1,009,421
	<u>3,790</u>	<u>1,005,631</u>	<u>-</u>	<u>1,009,421</u>

#### The Company

30 June 2014	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Derivative financial instruments	-	1,211	-	1,211
	<u>-</u>	<u>1,211</u>	<u>-</u>	<u>1,211</u>
<b>Financial liabilities</b>				
Derivative financial instruments	-	1,253	-	1,253
	<u>-</u>	<u>1,253</u>	<u>-</u>	<u>1,253</u>
<b>30 June 2013</b>				
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Derivative financial instruments	-	860	-	860
	<u>-</u>	<u>860</u>	<u>-</u>	<u>860</u>
<b>Financial liabilities</b>				
Derivative financial instruments	-	8,160	-	8,160
	<u>-</u>	<u>8,160</u>	<u>-</u>	<u>8,160</u>

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

The Group	Financial investments available-for-sale	
	30/06/2014 RM'000	30/06/2013 RM'000
As at beginning of the financial year	332,796	315,577
Net fair value changes recognised in other comprehensive income	37,353	18,978
Redeemed during the year	(441)	-
Impaired during the year	-	(1,759)
As at end of the financial year	<u>369,708</u>	<u>332,796</u>
Total gain recognised in other comprehensive income relating to assets held at the end of financial year	<u>37,353</u>	<u>18,978</u>

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

**1 Review of performance**

**Current quarter against previous corresponding quarter**

HLFG Group recorded a profit before tax of RM715.6 million for the current quarter ended 30 June 2014 as compared to RM565.4 million in the previous corresponding quarter, an increase of RM150.2 million or 26.6%. The overall increase was due to better performance across all operating divisions within the Group.

Hong Leong Bank Group recorded a higher profit before tax of RM611.0 million for the current quarter ended 30 June 2014 as compared to RM529.3 million in the previous corresponding quarter, an increase of RM81.7 million or 15.4%. The increase was mainly due to higher net income of RM31.4 million, higher share of profit from Bank of Chengdu and the Sichuan Jincheng Consumer Finance joint venture totaling RM20.5 million, lower operating expenses of RM27.5 million and lower allowance for impairment losses on loans, advances and financing of RM4.0 million. This was however offset by lower write back of impairment losses on securities of RM1.7 million.

HLA Holdings Group registered a profit before tax of RM82.5 million for the current quarter ended 30 June 2014 as compared to RM55.8 million in the previous corresponding quarter, an increase of RM26.7 million or 47.8%. The increase was largely due to higher net income of RM27.3 million, higher share of profit from associate company by RM1.5 million and lower impairment loss of RM1.3 million. This was offset by higher operating expenses of RM3.4 million.

Hong Leong Capital Group recorded a profit before tax of RM29.1 million for the current quarter ended 30 June 2014 as compared to RM23.9 million in the previous corresponding quarter, an increase of RM5.2 million or 21.8%. This was mainly due to higher contributions from its investment banking division.

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

HLFG Group recorded a profit before tax of RM3,009.2 million for the year ended 30 June 2014 as compared to RM2,630.0 million in the previous corresponding year, with an increase of RM379.2 million or 14.4%. The overall increase in profit before tax was contributed by all divisions across the Group.

Hong Leong Bank Group recorded a higher profit before tax of RM2,613.2 million for the year ended 30 June 2014 as compared to RM2,392.9 million in the previous corresponding year, an increase of RM220.3 million or 9.2%. The increase was due to higher share of profit from Bank of Chengdu and the Sichuan Jincheng Consumer Finance joint venture totaling RM111.5 million, lower operating expenses of RM54.8 million, higher net income by RM32.3 million and higher net write back of impairment losses on securities of RM32.3 million. This is however offset by higher allowance for impairment losses on loans, advances and financing of RM10.6 million.

HLA Holdings Group registered a profit before tax of RM350.4 million for the year ended 30 June 2014 as compared to RM183.9 million in the previous corresponding year, an increase of RM166.5 million or 90.5%. The increase was largely due to higher net income of RM169.2 million, higher share of profit from associate company by RM2.5 million and lower impairment loss of RM1.3 million. This was offset by higher operating expenses of RM6.5 million.

Hong Leong Capital Group recorded a profit before tax of RM78.9 million for the year ended 30 June 2014 as compared to RM67.9 million in the previous corresponding year, an increase of RM11.0 million or 16.2%. This was mainly due to higher contribution from its investment banking division.



### 3 Current quarter against preceding quarter

HLFG Group recorded a profit before taxation of RM715.6 million for the current quarter ended 30 June 2014 as compared to RM727.9 million for the preceding quarter, a decrease of RM12.3 million or 1.7%. The overall decrease in profit before tax was mainly due to lower contribution from commercial banking and insurance divisions.

The Hong Leong Bank Group recorded a profit before tax of RM611.0 million for the current quarter ended 30 June 2014 as compared to RM639.5 million in the preceding quarter, a decrease of RM28.5 million or 4.5% arising from higher operating expenses of RM56.6 million, lower write back of impairment losses on securities of RM18.9 million and lower share of profit from Bank of Chengdu and the Sichuan Jincheng Consumer Finance joint venture by RM12.0 million. This is however netted off by higher net income of RM58.2 million coupled with lower allowance for impairment losses on loans, advances and financing of RM0.8 million.

The HLA Holdings Group recorded a profit before tax of RM82.5 million for the current quarter ended 30 June 2014 as compared to RM100.1 million in the preceding quarter, a decrease of RM17.6 million or 17.6%. The decrease was mainly due to lower net income of RM9.6 million, higher operating expenses of RM5.7 million and lower share of profit from associate company by RM2.3 million.

The Hong Leong Capital Group recorded a profit before tax of RM29.1 million for the current quarter ended 30 June 2014 as compared to RM14.3 million in the preceding quarter, an increase of RM14.8 million or 103.5%. This was mainly due to lower contributions from its investment banking division.

### 4 Prospects for the next financial year

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

### 5 Variance of actual profit from forecasted profit

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

### 6 Taxation

	The Group		The Group	
	Current quarter ended 30/06/2014 RM '000	Last year quarter ended 30/06/2013 RM '000	Current year to date 30/06/2014 RM '000	Last year to date 30/06/2013 RM '000
Malaysian income tax	(167,833)	(90,740)	(583,845)	(515,247)
Transfer from deferred tax	49,731	95,898	17,011	70,037
	(118,102)	5,158	(566,834)	(445,210)
Prior year over/(under) provision				
- Malaysia	62,209	(16,837)	74,967	(20,055)
	(55,893)	(11,679)	(491,867)	(465,265)

	The Company		The Company	
	Current quarter ended 30/06/2014 RM '000	Last year quarter ended 30/06/2013 RM '000	Current year to date 30/06/2014 RM '000	Last year to date 30/06/2013 RM '000
Malaysian income tax	898	17,108	(74,967)	(102,762)
Transfer from deferred tax	602	4,977	(1,427)	4,977
	1,500	22,085	(76,394)	(97,785)

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

### 7 Sale of properties/unquoted investments

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

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

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

## 9 Status of corporate proposals

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

## 10 Borrowings

		<b>The Group</b>	
		<b>As at 30/06/2014 RM '000</b>	<b>As at 30/06/2013 RM '000</b>
	Note		
Revolving credit	(i)	65,254	-
Commercial papers	(ii)	584,212	624,103
Medium term notes	(ii), (iii)	2,611,879	2,611,813
Term loans	(iv)	110,052	290,245
Senior bonds	(v)	1,936,207	1,902,171
		<u>5,307,604</u>	<u>5,428,332</u>
Repayment of revolving credit			
- less than one year		65,254	-
Repayment of commercial papers			
- less than one year		584,212	624,103
Repayment of medium term notes			
- less than one year		150,466	-
- one to three years		2,210,550	2,211,813
- three years and above		250,863	400,000
Repayment of term loans			
- less than one year		110,052	150,164
- one to three years		-	140,081
Repayment of senior bonds			
- one to three years		1,936,207	1,902,171
		<u>5,307,604</u>	<u>5,428,332</u>

		<b>The Company</b>	
		<b>As at 30/06/2014 RM '000</b>	<b>As at 30/06/2013 RM '000</b>
	Note		
Revolving credit	(i)	65,254	-
Commercial papers	(ii)	584,212	624,103
Medium term notes	(ii)	551,824	551,758
Term loans	(iv)	110,052	290,245
		<u>1,311,342</u>	<u>1,466,106</u>
Repayment of revolving credit			
- less than one year		65,254	-
Repayment of commercial papers			
- less than one year		584,212	624,103
Repayment of medium term notes			
- less than one year		150,466	-
- one to three years		150,495	151,758
- three years and above		250,863	400,000
Repayment of term loans			
- less than one year		110,052	150,164
- one to three years		-	140,081
		<u>1,311,342</u>	<u>1,466,106</u>

## 10 Borrowings (continued)

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

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

- (ii) On 14 October 2011, the Company entered into RM1.8 billion CP/MTNs Programme comprising a seven (7) years Commercial Papers (CP) programmes and a twenty (20) years Medium Term Notes (MTNs) programmes which were constituted by a Trust Deed between the Company and Malaysian Trustees Berhad as trustee. The CPs are issued at a discount and the issue price is calculated in accordance with the Rules on Fully Automated System for Issuing/Tendering ("FAST") issued by Bank Negara Malaysia at the tenure of one (1), two (2), three (3), six (6), nine (9) or twelve (12) months as the Company may select. The CPs carry interest rates ranging from 3.20% to 3.38% (30 June 2013: 3.20% to 3.42%).

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

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

- (iii) On 14 August 2012, HLAH completed its RM2.0 billion MTN issuance under a proposed MTN Programme to raise funds for investment purpose. The MTN has a maturity of 5 years and has a call option to redeem the MTN at anytime.

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

- (a) an unsecured short-term loan facility of RM150 million maturing on 11 January 2015. The term loan with one month interest period bears interest rate ranging from 3.62% to 3.65% (30 June 2013: 3.61% to 3.63%) per annum.
- (b) an unsecured 1 year term loan of RM200 million maturing on 2 July 2014. The term loan with one month interest period bears interest rate ranging from 3.62% to 3.65% (30 June 2013: 3.61% to 3.63%) per annum.

- (v) The Group has the following senior bonds for the financial year:

	Note	The Group	
		As at 30/06/2014 RM '000	As at 30/06/2013 RM '000
USD 300 million senior bonds, at par	(a)	916,350	916,350
USD 300 million senior bonds, at par	(b)	919,200	919,200
Foreign exchange translations		90,750	60,150
		<u>1,926,300</u>	<u>1,895,700</u>
Add: Interest payable		16,454	16,192
		<u>1,942,754</u>	<u>1,911,892</u>
Less: Unamortised discounts		(6,547)	(9,721)
		<u>1,936,207</u>	<u>1,902,171</u>

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

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

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

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

## 11 Subordinated obligations

	Note	The Group	
		As at 30/06/2014 RM '000	As at 30/06/2013 RM '000
RM700 million Tier 2 subordinated debt, at par	(a)	685,000	685,000
Add: Interest payable		12,535	11,977
		<u>697,535</u>	<u>696,977</u>
Less: Unamortised discounts		(207)	(741)
		<u>697,328</u>	<u>696,236</u>
RM1.0 billion Tier 2 subordinated debt, at par	(b)	1,000,000	1,000,000
Add: Interest payable		6,793	6,674
		<u>1,006,793</u>	<u>1,006,674</u>
Less: Unamortised discounts		(570)	(1,341)
		<u>1,006,223</u>	<u>1,005,333</u>
Subordinated medium term notes, at par	(c)	750,000	1,160,000
Add: Interest payable		1,207	9,307
		<u>751,207</u>	<u>1,169,307</u>
Less: Unamortised discounts		(1,138)	(6,985)
Add: Fair value adjustments on completion of business combination accounting		210	3,829
		<u>750,279</u>	<u>1,166,151</u>
RM1.5 billion Tier 2 subordinated debt, at par	(d)	1,500,000	1,500,000
Add: Interest payable		1,479	1,295
		<u>1,501,479</u>	<u>1,501,295</u>
Less: Unamortised discounts		(1,590)	(2,271)
		<u>1,499,889</u>	<u>1,499,024</u>
RM500 million Tier 2 subordinated debt, at par	(e)	500,000	500,000
Add: Interest payable		8,815	8,815
		<u>508,815</u>	<u>508,815</u>
Less: Unamortised discounts		(1,974)	(2,050)
		<u>506,841</u>	<u>506,765</u>
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(f)	400,000	-
Add: Interest payable		736	-
		<u>400,736</u>	<u>-</u>
Less: Unamortised discounts		(658)	-
		<u>400,078</u>	<u>-</u>
RM500 million Tier 2 subordinated notes, at par	(g)	500,000	-
Add: Interest payable		526	-
		<u>500,526</u>	<u>-</u>
Less: Unamortised discounts		(1,550)	-
		<u>498,976</u>	<u>-</u>
		<u>5,359,614</u>	<u>4,873,509</u>

- (a) On 10 August 2010, HLB had completed the first issuance of RM700 million nominal value of Tier 2 Subordinated Debt ("Sub Debt") out of its RM1.7 billion Tier 2 Subordinated Notes Programme. The RM700 million Sub Debt will mature in 2020 and is callable at the end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The Sub Debt which bears interest of 4.85% per annum is payable semi-annually in arrears.

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

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

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

## 11 Subordinated obligations (continued)

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

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

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

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

On 27 February 2014, HLB had fully redeemed the first tranche of RM410.0 million nominal value of the 10 non-callable 5 years subordinated MTNs bearing coupon rate of 5.75% per annum.

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

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

- (e) On 19 September 2012, HLA has created and issued up to RM500 million in nominal value of Subordinated Notes ("Sub-Notes") under a proposed Subordinated Notes Programme to raise funds for general working capital and/or business operations purpose.

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

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

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

- (f) On 17 June 2014, Hong Leong Islamic Bank Berhad ("HLISB"), a wholly owned subsidiary of HLB, had completed the first issuance of RM400 million nominal value of Tier 2 Subordinated Sukuk Ijarah ("Subordinated Sukuk Ijarah") out of its RM1.0 billion Tier 2 Subordinated Sukuk Ijarah Programme. The RM400 million Subordinated Sukuk Ijarah will mature in 2024 and is callable at end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The Subordinated Sukuk Ijarah which bears profit rate of 4.80% per annum is payable semi-annually in arrears.

The Subordinated Sukuk Ijarah constitute direct, unconditional, subordinated and unsecured obligations of HLISB and subordinated in right and priority of payment, to the extent and in the manner provided in the Subordinated Sukuk Ijarah, ranking pari passu among themselves. The Subordinated Sukuk Ijarah is subordinated in right of payment to all deposit liabilities and other liabilities of HLISB, except to those liabilities, which by their terms, rank equally in right of payment with or are subordinated to the Subordinated Sukuk Ijarah. The Subordinated Sukuk Ijarah qualifies as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLISB.

- (g) On 23 June 2014, HLB had completed the first issuance of RM500 million nominal value of Tier 2 Subordinated Notes ("Sub-Notes") out of its RM10.0 billion Multi-Currency Sub-Notes Programme. The RM500 million Sub-Notes will mature in 2024 and is callable on any coupon payment date falling on or after the 5th anniversary of the issue date. The Sub-Notes which bears interest rate of 4.80% per annum is payable semi-annually in arrears. The exercise of the call option on the Sub-Notes shall be subject to the approval of BNM.

The Sub-Notes constitute unsecured liabilities of the Bank, and is subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue, except to those liabilities, which by their terms, rank equally in right of payment with or are subordinated to the Sub-Notes. The Sub-Notes qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLB.

## 12 Non-innovative Tier 1 stapled securities

	The Group	
	As at 30/06/2014 RM '000	As at 30/06/2013 RM '000
RM1.4 billion Non-Innovative Tier 1 stapled securities, at par	1,400,000	1,400,000
Add: Interest payable	11,041	10,847
	1,411,041	1,410,847
Less: Unamortised discounts	(789)	(1,855)
	1,410,252	1,408,992

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

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

## 13 Innovative Tier 1 capital securities

	The Group	
	As at 30/06/2014 RM '000	As at 30/06/2013 RM '000
RM500 million Innovative Tier 1 capital securities, at par	500,000	500,000
Add: Interest payable	12,771	12,658
	512,771	512,658
Less: Unamortised discounts	(8,746)	(10,012)
Add: Fair value adjustments on completion of business combination accounting	37,742	53,396
	541,767	556,042

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

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

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

#### 14 Off-Balance Sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 30 June 2014

##### The Group

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	32,432,966	192,759	(240,251)
(ii) 1 year to 3 years	351,223	2,160	(3,928)
- Swaps			
(i) Less than 1 year	7,232,436	75,238	(53,666)
(ii) 1 year to 3 years	831,697	30,583	(26,381)
(iii) More than 3 years	3,785,219	74,337	(76,319)
- Options			
(i) Less than 1 year	4,236,390	12,282	(12,940)
- Spots			
(i) Less than 1 year	255	-	-
Interest rate related contracts			
- Futures			
(i) Less than 1 year	29,035,661	1,196	(3,015)
(ii) 1 year to 3 years	9,071,717	868	(1,359)
- Swaps			
(i) Less than 1 year	16,723,860	12,255	(18,607)
(ii) 1 year to 3 years	24,064,854	66,960	(80,927)
(iii) More than 3 years	27,303,710	239,345	(302,798)
Equity related contracts			
(i) Less than 1 year	207,936	1,149	(1,149)
(ii) 1 year to 3 years	94,310	-	-
(iii) More than 3 years	11,500	3,851	-
<b>Total</b>	<b>155,383,734</b>	<b>712,983</b>	<b>(821,340)</b>

##### The Company

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Swaps			
(i) Less than 1 year	110,308	423	-
Interest rate related contracts			
- Swaps			
(i) 1 year to 3 years	675,000	788	(1,253)
<b>Total</b>	<b>785,308</b>	<b>1,211</b>	<b>(1,253)</b>

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

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

##### The Group

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	29,343,704	233,292	(253,048)
(ii) 1 year to 3 years	146,596	327	(2,392)
- Swaps			
(i) Less than 1 year	7,796,446	57,962	(110,682)
(ii) 1 year to 3 years	989,845	13,347	(13,938)
(iii) More than 3 years	2,864,735	70,888	(85,567)
- Options			
(i) Less than 1 year	3,914,051	32,849	(30,562)
(ii) 1 year to 3 years	251,343	4,896	(4,896)
- Spots			
(i) Less than 1 year	12,641	12	(2)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	2,284,068	1,981	(2,151)
(ii) 1 year to 3 years	560,000	387	(803)
(iii) More than 3 years	81,462	53	(12)
- Swaps			
(i) Less than 1 year	15,572,960	23,705	(30,455)
(ii) 1 year to 3 years	26,127,166	68,050	(104,746)
(iii) More than 3 years	33,281,104	392,270	(368,565)
Equity related contracts			
(i) Less than 1 year	54,168	1,602	(1,602)
(ii) 1 year to 3 years	10,000	4,862	-
<b>Total</b>	<b>123,290,289</b>	<b>906,483</b>	<b>(1,009,421)</b>

##### The Company

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Swaps			
(i) Less than 1 year	167,360	642	-
Interest rate related contracts			
- Swaps			
(i) Less than 1 year	125,000	218	-
(ii) 1 year to 3 years	675,000	-	(8,160)
<b>Total</b>	<b>967,360</b>	<b>860</b>	<b>(8,160)</b>



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

### 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 RM2,836,683,390 (FYE June 2013: RM1,306,394,187) and RM75,231,277,308 (FYE June 2013: RM67,883,822,274) respectively.

#### Derivatives

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

### 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 RM796,624,194 (FYE June 2013: RM907,598,806). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

#### Derivatives

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

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

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

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

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

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

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

### Liquidity risk

#### *Derivatives*

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

### Related accounting policies

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

#### *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.

## 15 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.

## 16 HLFG Dividends

For the financial year ended 30 June 2014, a total single tier dividend of 38 sen per share was declared (2013: 36 sen per share).

## 17 Earnings per share

### (a) Basic earnings per share

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

	The Group		The Group	
	Current quarter ended 30/06/2014 RM '000	Last year quarter ended 30/06/2013 RM '000	Current year to date 30/06/2014 RM '000	Last year to date 30/06/2013 RM '000
Net profit attributable to equity holders of the Company	450,255	389,561	1,706,877	1,487,690
Weighted average number of ordinary shares	1,047,613	1,042,731	1,047,613	1,042,731
<b>Basic earnings per share (Sen)</b>	<b>43.0</b>	<b>37.4</b>	<b>162.9</b>	<b>142.7</b>

	The Company		The Company	
	Current quarter ended 30/06/2014 RM '000	Last year quarter ended 30/06/2013 RM '000	Current year to date 30/06/2014 RM '000	Last year to date 30/06/2013 RM '000
Net profit attributable to equity holders of the Company	(13,121)	(665)	374,577	330,292
Weighted average number of ordinary shares	1,049,767	1,045,423	1,049,767	1,045,423
<b>Basic earnings per share (Sen)</b>	<b>(1.2)</b>	<b>(0.1)</b>	<b>35.7</b>	<b>31.6</b>

### (b) Fully diluted earnings per share

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

	The Group		The Group	
	Current quarter ended 30/06/2014 RM '000	Last year quarter ended 30/06/2013 RM '000	Current year to date 30/06/2014 RM '000	Last year to date 30/06/2013 RM '000
Net profit attributable to equity holders of the Company	450,255	389,561	1,706,877	1,487,690
Weighted average number of ordinary shares				
- during the year	1,047,613	1,042,731	1,047,613	1,042,731
- adjustment for ESOS	720	1,888	720	1,888
	<u>1,048,335</u>	<u>1,044,619</u>	<u>1,048,335</u>	<u>1,044,619</u>
<b>Fully diluted earnings per share (Sen)</b>	<b>42.9</b>	<b>37.3</b>	<b>162.8</b>	<b>142.4</b>

	The Company		The Company	
	Current quarter ended 30/06/2014 RM '000	Last year quarter ended 30/06/2013 RM '000	Current year to date 30/06/2014 RM '000	Last year to date 30/06/2013 RM '000
Net profit attributable to equity holders of the Company	(13,121)	(665)	374,577	330,292
Weighted average number of ordinary shares				
- during the year	1,049,767	1,045,423	1,049,767	1,045,423
- adjustment for ESOS	680	1,542	680	1,542
	<u>1,050,449</u>	<u>1,046,966</u>	<u>1,050,449</u>	<u>1,046,966</u>
<b>Fully diluted earnings per share (Sen)</b>	<b>(1.2)</b>	<b>(0.1)</b>	<b>35.7</b>	<b>31.5</b>

**18 Realised and unrealised profit**

	<b>The Group</b>	
	<b>As at 30/06/2014 RM '000</b>	<b>As at 30/06/2013 RM '000</b>
Total retained profits of the Group and its subsidiaries		
- Realised	18,663,319	17,652,955
- Unrealised	1,325,961	1,389,428
Total share of retained profits from associated companies		
- Realised	1,513,429	1,084,930
- Unrealised	1,574	497
Total share of retained profits from joint ventures		
- Realised	12,587	3,234
	<u>21,516,870</u>	<u>20,131,044</u>
Less : Consolidation adjustments	(14,069,318)	(13,540,545)
Total Group's retained profits as per consolidated accounts	<u><u>7,447,552</u></u>	<u><u>6,590,499</u></u>

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

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

Dated this 26 August 2014